

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND MARCH 19/MARCH 20 1994

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Britain to use US
support to press
Ulster peace plan

British ministers are preparing to exploit the St Patrick's Day call from President Bill Clinton for Sinn Féin and the IRA to accept the Downing Street declaration. Northern Ireland secretary Sir Patrick Mayhew is today expected to drive home the political advantage created by the US administration with an attack on Sinn Féin president Gerry Adams, claiming he has so far delivered only death and threats of death.

Page 6: The fight goes on, Page 9

UK variable rate bonds: The Bank of England is to launch its first UK government bond with a variable rate coupon in nearly 20 years. The coupon is expected to vary at set periods in line with prevailing interest rates and is aimed at banks and building societies. Page 24

Judge says police armed Zulus: President F.W. de Klerk said he had accepted "prima facie" evidence from a judicial inquiry that senior South African police, including deputy commissioner of police Basie Smit, were involved in supplying weapons to the Inkatha Freedom party. Page 4

Mirror cleared to buy Independent: The consortium backed by Mirror Group Newspapers was given government approval to take over Newspaper Publishing, owner of The Independent and the Independent on Sunday. Page 7

Senate to hold Whitewater hearings: The US Senate has voted unanimously to hold hearings on the Whitewater affair, but has left to future negotiation when they are to be held and what ground they will cover. Page 3

Metals group to act against former chief: The supervisory board of Metallgesellschaft said it would take legal steps to seek damages against Heinz Schimmelbusch, the sacked chief executive of the Frankfurt-based metals, mining and industrial group. The board said the move followed an independent report into the collapse of the group - Germany's 14th largest industrial company. Mr Schimmelbusch has denied responsibility for the debacle. Page 11

Closer airline links: Germany and the US signed an agreement on air transport, paving the way for closer co-operation between German national carrier Lufthansa and United Airlines. Page 24: US avoids showdown, Page 3; Lex, Page 24

SPD sets out tax plans: Germany's opposition Social Democrat party proposed tax reforms to shift the burden of spending on unification from the low-paid to the wealthy as the main plank of its election campaign. Page 24: A policy with whiskers, Page 8

Russia to join Nato peace partnership: Russian prime minister Victor Chernomyrdin confirmed Russia would join the US-inspired Partnership for Peace programme designed to draw former Communist states into a closer relationship with Nato. Page 2

Molins, tobacco and packaging group: increased pre-tax profits for 1993 by 11 per cent to £20.4m on strong demand for cigarette making machinery from China and other developing markets. Page 10

UK gives £3m for repatriation: Britain is adding £3m to the £1.6m aid it has given a United Nations programme aimed at repatriating about 1.5m Mozambicans who fled 15 years of civil war to neighbouring countries.

Bayer, chemicals and drugs group: brightened the German results season with a confident forecast of profits up to 20 per cent higher in the current year. Page 11

Concern over N Korean missiles: The US expressed concern that North Korea was developing two new types of long-range ballistic missile with the potential to threaten most of Asia. Page 4

Air crash: An aircraft carrying Iranian women and children home for New Year celebrations crashed in the disputed Caucasus enclave of Nagorno-Karabakh, killing all 32 people on board.

Ninth murder charge: Police in Gloucester charged builder Frederick West with the murder of a ninth woman, 15-year-old Carol Ann Cooper, last seen alive at a bus stop nearly 20 years ago.

STOCK MARKET INDICES

FT-SE 100	3,218.1	(-37.8)
Yield	3.75	
FT-SE Eurotrack 100	1,465.51	(-18.37)
FT-SE A-Share	1,624.88	(-1.05)
Nikkei	20,493.45	(-122.71)
New York S&P 500	3,867.73	(+2.59)
Dow Jones Ind. Ave	2,143.2	(-1.94)
S&P Composite	498.85	

US LUNCHTIME RATES

Federal Funds	3.5%
3-mo T-bill	3.525%
Long Bond	52%
Yield	6.877%

LONDON MONEY

3-mo Interbank	5.4%	(3.3%)
Life long (6m future)	Mar 1101	(Mar 111.5)
NORTH SEA OIL (Arqus)		
Brent 15-day (Mar)	\$13.84	(13.75)
Gold		
New York Comex (Apr)	\$387.8	(383.3)
London	\$388.2	(383.15)

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Austria: 5000; Belgium: 200; Canada: 100; Denmark: 100; France: 100; Germany: 100; Greece: 100; Hong Kong: 100; India: 100; Italy: 100; Japan: 100; Korea: 100; Luxembourg: 100; Malaysia: 100; Mexico: 100; Netherlands: 100; New Zealand: 100; Norway: 100; Poland: 100; Portugal: 100; Singapore: 100; South Africa: 100; Spain: 100; Sweden: 100; Switzerland: 100; Taiwan: 100; Thailand: 100; Turkey: 100; USA: 100; Venezuela: 100; Yugoslavia: 100

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European bond prices fall sharply after Clinton and Greenspan discuss economy

Fed meeting raises rate concerns

By Michael Prowse in Washington and Our Markets Staff

Financial markets were speculating yesterday that the US Federal Reserve planned an early rise in short-term interest rates, after President Bill Clinton summoned Mr Alan Greenspan, Fed chairman, to the White House for talks on economic policy.

The White House said the meeting was "routine" and denied that interest rate policy had been discussed. However, it was arranged at short notice - Mr Greenspan had to cancel a planned speech at a Dallas economic conference - and came just ahead of Tuesday's meeting of the Fed's open market committee, which sets interest rates.

Mr Gene Sperling, a senior White House aide, said Mr Clinton had sought Mr Greenspan's "analysis of the economic fundamentals". He said no messages on interest rates were given or received.

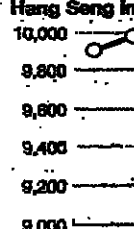
European bond prices, however, fell sharply after early losses in the US market before full details of the meeting emerged.

US markets reacted calmly, appearing to accept that Mr Clinton had not used the meeting to browbeat Mr Greenspan over rates. By early afternoon, the long bond was down about half a point to yield 6.87 per cent, while share prices were flat.

Many Wall Street analysts expect the Fed to raise rates either immediately after next week's meeting or in the next few

Hong Kong

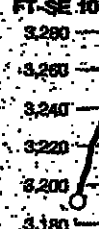
Hang Seng Index



Source: FT Graphix

London

FT-SE 100 Index, daily movements



weeks. The Fed may raise the federal funds rate - the cost of overnight money to banks - by quarter of a point to 3.5 per cent.

The Fed raised the fed funds rate by a quarter point to 3.25 per cent on February 4 - the first increase in short rates for five

years. US long bond yields have risen steeply in recent weeks to nearly 7 per cent on the assumption that the February 4 move was the first in a series of tight-

enings. US markets may thus take another modest increase in rates in their stride.

But further tightening of US monetary policy is certain to be condemned on Capitol Hill. Mr Henry Gonzalez, chairman of the House of Representatives banking committee, said the Fed's monetary policy was "a true abomination". The Fed was fighting a non-existent inflationary threat and might throw millions of Americans out of work.

The White House supported the Fed's move in February but sees little reason for further action because it regards the risk of higher inflation as minimal. Mr Greenspan, however, is thought to believe further rate increases are needed.

The UK government bond market fell sharply, but picked up on the announcement of a floating-rate gilt auction. On Life, the futures exchange, the long gilt

future opened at 109%, fell to a low of 108%, before recovering to 109%.

The German market was hit by disappointment that the Bundesbank again failed to ease interest rates on Thursday.

On Life, the German Bund future fell more than 1/4 point to end at 96.52. Italian bonds fared even worse, losing 1/4 point.

In equities, London's FT-SE 100 rallied in the late afternoon to close 37.8 down at 3,218.1. Falls on continental European bourses averaged just over 1 per cent. Hong Kong's Hang Seng index had earlier dropped 4.1 per cent.

Editorial Comment, Page 8; Bonds and currencies, Page 13; London shares, Page 15; World stocks, Page 23; Floating rate gilts, Page 24

Building societies face sharp squeeze on funds

By Alison Smith

Britain's personal savers last month continued to desert building societies in search of better returns on their money. The net outflow of £404m was the highest for 7 1/2 years.

Strong competition for retail savings - from unit trusts and National Savings products in particular - led to the fourth consecutive monthly outflow, according to figures released by the Building Societies Association yesterday.

Mr John Wrigglesworth, building societies analyst at stockbroker IBS, said the pressures on societies "rule out any prospect of a mortgage rate reduction in the foreseeable future".

Evidence of the continuing scale of withdrawals coincides with signs that societies are recovering in terms of mortgage lending. Net new mortgage commitments rose from £1.83bn in January to £2.93bn in February, the highest level since July 1993.

Mr Adrian Coles, director-general of the Building Societies Association, said last month's savings figures reflected not just fierce competition for funds but "distortions caused by the payment of the second instalment on the BT3 share issue".

Pressure on societies' retail funding has intensified with the launch of the pensioners' guaranteed income bond. National Savings said last week the bond had attracted £480m in February. It pays an annual fixed rate of 7 per cent gross for five years, and has been bought by nearly 90,000 people.

Mr Andrew Loughurst, chief executive of Cheltenham & Gloucester, the UK's sixth largest society, said societies did not need to attract new savings in order to meet mortgage demand. Net advances of principal in 1993 totalled just £9.43bn, compared with £24.09bn in 1992.

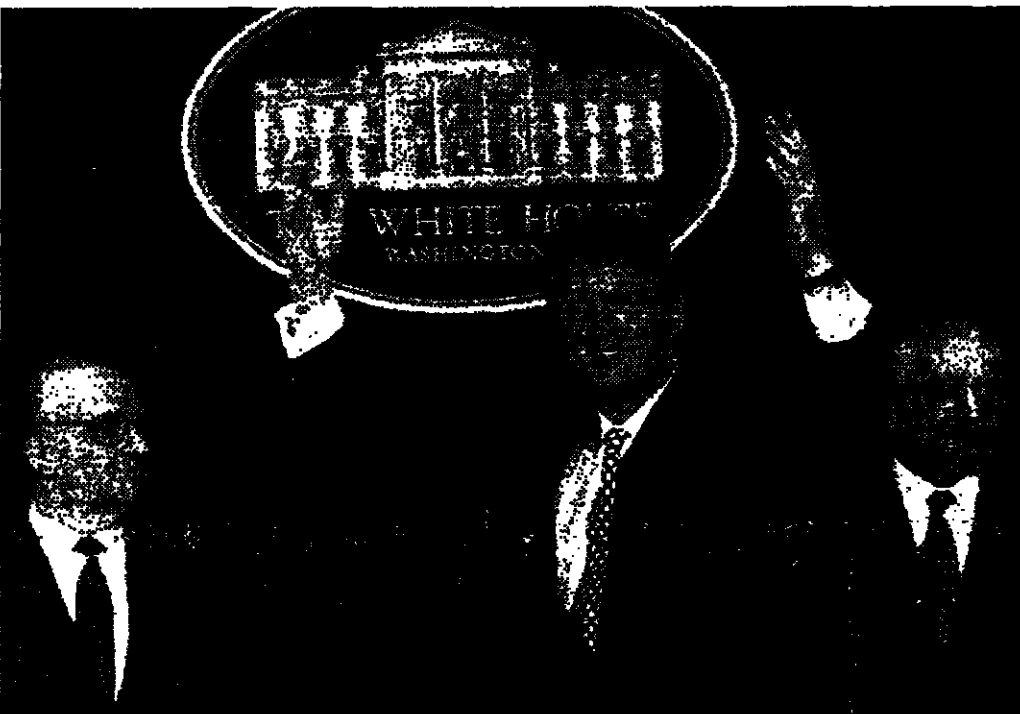
Societies are hoping that before the end of the year the limits on wholesale funds they can raise will be relaxed, but if mortgage demand picks up more sharply and they have difficulty attracting retail funds, they have the option of increasing the rates they offer on savings and the charge on mortgages.

Mr Loughurst said the intense competition among lenders for new mortgages meant across-the-board rate reductions were unlikely.

The previous largest monthly outflow was in September 1986 when savers withdrew money for the TSB Group flotation.

Upturn is a mixed blessing for societies, Page 6

Bosnian Croats and Moslems sign deal ■ Major pledges £12m for Sarajevo

Race is on to beat
deadline for VAT
on domestic fuel

By Michael Smith and Robert Corvino

British householders are paying electricity and gas bills in advance - in one case, for 21 years - as they race to beat the deadline to avoid paying value added tax on domestic fuel.

By last night, the UK's 15 suppliers of electricity to households had received more than 280,000 payments and British Gas had taken in 66,000.

Numbers paying in advance of April 1, when VAT is imposed, have more than doubled in the last week and by last night total receipts had reached £150m. That figure is expected to be dwarfed by next Friday - the day by which most companies say they need to receive cheques in order to clear them in time.

The VAT rate on domestic fuel will be 8 per cent for the first year, before rising to 17.5 per cent in April 1995.

Mr Gordon Brown, shadow chancellor of the exchequer, will next week ask Offer and Ogas, the electricity and gas industry watchdogs, what they intend to do about the "windfall cash" being built up by domestic fuel suppliers.

The companies, many of which are cash-rich after a better than expected performance since privatisation, will earn considerable amounts of interest on the pre-payments.

They say they have not encouraged pre-payment and that they have had to spend money to

cover costs of customers paying in advance.

Eastern Electricity, based in Ipswich, says it will need to take in between £25m and £30m to generate enough interest to cover extra staffing, telephone and computer costs. It has already received close to that amount.

Most power and gas consumers, who have elected to pay in advance, have forwarded the equivalent of between one and two years' bills.

But Manweb, based in Chester, says one customer has paid the equivalent of 21 years' bills and Seaboard, in Hove, says one has paid a sum equal to 18 years' usage. East Midlands says it has received a cheque for £7,600, although it does not specify how long this may cover.

The average annual household electricity power bill is about £300. The gas bill of an average three-bedroom house with gas central heating is about £380.

British Gas has seen a north-south divide. In the North Thames region, which takes in central London, 14,000 customers have made some form of pre-payment. This compares to just over 3,500 customers pre-paying in British Gas's north west region, its largest, which encompasses Manchester and Liverpool.

Among individual electricity companies with high receipts are Bristol-based Sweb with 40,000 paying £18m and Manweb, where 38,000 have paid £14.5m.

Beat VAT on fuel, Wknd Page V

Clinton calls on
Serbia to join
peace process

By Jurek Martin in Washington, James Hertz in London and Laura Silber in Belgrade

President Bill Clinton of the US urged Serbia yesterday to join the Balkan peace process as Bosnia's Croat and Moslem leaders signed an agreement creating a federation in that part of the republic not held by its Serbs.

He specifically urged the Bosnian Serbs to "join in this effort for a wider peace. We invite and urge them to do so."

Mr John Major, the British prime minister who visited Sarajevo yesterday, also appealed to the Serbs to join the peace process. He said: "I think we just have to continually put pressure on the Serbs to realise that it's going to be necessary to reach a political settlement, that there are no gains to be made by continuing fighting."

While in Sarajevo, Mr Major announced that Britain would provide £12m to help rebuild the infrastructure of the city, of

which £5m would be allotted to a joint Anglo-American civil mission to provide health care, rebuild the power generation system and rebuild the city's railway line. The rest would go to the UN organisations providing relief to the area.

Mr Clinton said yesterday's measures were "only first steps but they are steps in the right direction... they offer one of the first clear signals that parties to the conflict are willing to end the violence and begin a process of reconstruction."

The US is planning considerable hopes that next week Mr Vitaly Churkin, Russia's special envoy to former Yugoslavia, will be able to forge an agreement between Croatia and Serbia on the status of the Serb-held Krajina region in south-eastern Croatia.

In Washington, both President

Continued on Page 24
Major visits Sarajevo: picture, Page 7
Peace hopes rise, Page 9

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Hand of peace: Mr Chernomyrdin greets US defence secretary William Perry at the Moscow White House yesterday.

Iraq sanctions to stay in place

Balladur concession rejected

This is a typically Italian way of offering consolation prizes, and Mr Berlusconi is standing for a sure proportional seat in the Lazio region. Nevertheless if he fails in Rome, it would be a damaging blow. On the other hand if Prodi and Spaventa wins, he is talked of as a potential prime minister.

Editorial Comment Page 8

Protests against "clear-cut" logging in British Columbia have led two big UK paper companies to cancel pulp contracts with Macmillan Bloedel, the Canadian forest products group. King World Bank's subsidiary has also called off its dogs against the company.

The bank's subsidiary Scott Paper earlier cancelled a \$5m contract. Both companies have faced threats by Greenpeace to organise a consumer boycott in protest against Macmillan's logging practices in the picturesque Clayoquot Sound area of Vancouver Island. Clayoquot Sound contains one of the biggest remaining old-growth forests in North America. The British Columbia government has tried to steer a compromise between environmentalists calling for a total ban on logging in the area, and the forestry companies which maintain that the trees are essential to the survival of nearby mills. The unsightly bare patches left by clear-cutting have given the environment movement a powerful publicity weapon. Macmillan maintains, however, that clear-cutting has misrepresented the forestry practice. The company has launched an aggressive advertising campaign in Canada and Europe to defend itself against the environmentalists' charges. *Bernard Simon, Toronto*

Mr Marian Rajczyk, head of Poland's Bank Slaski, has resigned in the wake of the bank's controversial privatisation earlier this year. His departure means the bank has a better chance of recovering its valuable trading licence. The Securities Commission revoked the licence last month after the bank had been found to have mismanaged the offer. It failed to speedily register investors' share certificates except those held by management and employees. The bank staff were thus able to buy shares at a price of 13.5 shares for the 500,000 zlotys public offer price when the shares were first listed in January while the 800,000 people who bought shares were unable to trade them. The commission has indicated to the finance ministry which holds 30 per cent of the equity and the Dutch ING bank which bought a 25.9 per cent stake that a change at the top of the bank and thorough reform of the broking operation could see the decision reversed. The Bank Slaski has already sacked a deputy chairman and the head of the broking operation and the Bank's supervisory board meets next week to consider Mr Rajczyk's resignation. *Christopher Robinski, Warsaw*

Four senior executives linked to Ina-Assitalia, the Italian state insurance group to be privatised in June, are under investigation for alleged corruption and falsifying of accounts. The four senior executives are those involved in operations from 1980 to 1982, especially those of the Roma branch. The two most prominent executives are Mr Pierluigi Cassetti, chairman of Assitalia, and Mr Mario Fornari, chairman of Consap, the institute responsible for state insurance business. Mr Fornari was a former managing director of Ina and was considered the main link between the Andreotti faction of the Christian Democrat Party and the insurance business. He has denied any impropriety. *Robert Graham, Rome.*

Denmark, eastern Europe's third-biggest oil and gas producer, said yesterday it has known reserves to sustain current production levels for 20 years and gas production for 15 years. The Danish Energy Board said it expected Denmark to achieve balance in its energy trade in 1997, meaning that exports of oil and gas would be worth as much as imports of coal. "The continued high oil and gas production will mean that Denmark's net energy expenditure will fall from DKr2.5bn in 1993 to a balance or a small surplus in 1997," the board said. The board said the net level for both oil and gas was expected to reach more than 1.0 bn DKr in 1997, it said, up from 130 per cent in 1993. The surplus, mostly of gas, has been exported to Sweden and Germany. *Reuters, Copenhagen*

By Jill Barshay in Kiev

According to Greenpeace, the Kyslovsk reactor number 3 will be decommissioned in 1995 under a decree signed on February 23. Two other reactors at Chernobyl remain in operation, although reactor number 4, where the infamous Chernobyl explosion took place in 1986, remains shut down, encased in

**By Hugh Carnegie
in Stockholm**

He was forced to postpone the date by the opposition Social Democrats, the country's biggest political party, which it is widely acknowledged holds the key to winning

In Norway yesterday, opinion polls taken after agreement on accession terms this week showed conflicting results. A Gallup poll showed opposition rising to 49 per cent, with support slipping to 28 per cent.

But a poll in the newspaper Dagbladet showed support moving up sharply to 41 per cent, with opposition falling three percentage points to 49 per cent.

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US Senate to hold Whitewater hearings

By Jurek Martin, US Editor, in Washington

The US Senate has voted unanimously to hold hearings on the Whitewater affair, but has left to future negotiation their date and the ground they will cover.

The compromise, agreed on Thursday night, represents qualified victories for Republicans who have been demanding hearings and Democrats who have resisted them.

No grants of immunity from prosecution will be given to those summoned for questions. President Bill Clinton seemed resigned to the fact that there would be a congressional forum but again said it would be found not to be worth the expense.

The general White House mood is more upbeat than it was 10 days ago, with the president and Mr Hillary Clinton embarked on a heavy round of public appearances to push the administration's domestic agenda. One senior official said of Whitewater: "We've moved from crisis management to problem management."

The Senate resolution also gives Mr Robert Fiske, the independent counsel, time to conduct his inquiry into

whether government officials have conspired to obstruct federal investigations of the failed Arkansas savings and loan entity at the centre of the first family's land and financial dealings, in their home state in the 1980s.

Still unresolved by the Senate action are possible hearings by the House banking committee, tentatively scheduled for sometime late next week.

No date has yet been fixed and the area of debate is also undecided

Congressman Jim Leach of Iowa, senior Republican on the committee, continues to insist that they be held, but Mr Fiske is unhappy with them and the Democratic leaders in the House are pressing for a delay. Mr Fiske's federal grand jury took testimony on Thursday from two senior White House members, Mr Bernard Nussbaum, former legal counsel, and Mr Harold Ickes, the presidential counsellor mainly involved with healthcare. An additional subpoena has

been issued to Mr George Stephanopoulos, a close adviser to the president. This brings to 11 the number of White House and Treasury officials called to testify before the grand jury.

Meanwhile, the New York Times yesterday said Mrs Clinton had made as much as \$100,000 (\$96,834) from trading in the commodities market in 1978-1979, thus transforming the Clinton family finances.

She was advised in her investments, according to the article, by Mr James Blair, a prominent Arkansas lawyer and an investor long close to the Clintons. Mr Blair's principal legal client was Tyson's Food, the chicken producer and big Arkansas company.

The White House reaction to the story was angry. One official said: "Hillary and Jim were friends; he gave her advice. There was no impropriety. The only appearance is being created by the New York Times." The Clintons had fully declared their profits in tax returns, he said.

Mr Blair responded by saying it was ridiculous for the Clintons to have to "weed their friends out and say they can only have friends who are sweeping the streets."

Ron and Ollie's big falling-out

Jurek Martin tells how two American heroes found feet of clay

Once they were inseparable, two conservatives locked together in a common cause. The young man would walk through walls and around the law for his boss, who returned the compliment by describing his acolyte as "a hero."

This relationship is now in tatters.

Inserting himself with vigour into the Virginia contest for a US senate seat, the most widely watched political race of the year, former President Ronald Reagan has rounded on former Lt-Col Oliver North and, in effect, called him a liar.

Mr Reagan's intervention

came as a letter solicited by an old friend, former Senator Paul Laxalt of Nevada, and was promptly released by the campaign of Mr North's rival for the Republican nomination, Mr James Miller, budget director in the Reagan White House.

"I do have to admit," Mr Reagan wrote, "that I am getting pretty steamed about statements coming from Oliver North. I never instructed him or anyone in my administration to mislead Congress on Iran-Contra matters or anything else. And I certainly didn't know anything about the Iran-Contra diversion ... and the private meetings he

said he'd had with me just didn't happen."

Mr North, whose own conspiracies, freelance or not, consumed the US in Mr Reagan's second term, immediately saw another conspiracy. Citing threats to his life by Abu Nidal, the terrorist, as evidence of his loyalty, Mr North's faxed reply said the former president had been "seriously and intentionally misinformed" about his service on the national security council, and meetings of the two did take place.

Mr North's candidacy in Virginia is ferociously controversial and has been stoutly opposed by Senator John

Warner, a Republican not up for re-election this year. If Mr North beats Mr Miller, as he has been favoured to do, he will face Senator Chuck Robb, the incumbent Democrat.

Mr Robb is no stranger to recent controversy. He is a former Marine whose wife is the daughter of the late President Lyndon Johnson. The senator recently admitted, in a pastoral constituency letter, to conduct unbecoming in a married man, namely extra-marital affairs.

Mr North, a self-appointed symbol of rectitude, loved this confession. His fondness for Mr Reagan's intervention is much less apparent.



TELLING IT LIKE IT WAS: Oliver North (left) and Ronald Reagan no longer concur on their White House past. Pictures: Reuters/Anthony Adewale

Jump in foreign chip sales to Japan

By Louise Kehoe in San Francisco

The foreign share of the Japanese semiconductor market jumped to 20.7 per cent in the fourth quarter of 1993, the highest figure since the US began monitoring the share in 1986.

The increase has averted a further rise in trade friction between the US and Japan.

The closely-watched data are the primary measure used by the US to determine Japan's compliance with a bilateral trade agreement, in which Japan "banned" the expectations of the US semiconductor industry that foreign market share should rise to at least 20 per cent by the end of 1992.

The fourth-quarter figure represents an increase of 1.6 per cent over the previous quarter, the largest jump since the governments began compiling market share data.

"We are pleased to see an increase in foreign market share for the fourth quarter," said Mr Mickey Kantor, US trade representative. "However, we remain concerned that US and other foreign semiconductor suppliers are not achieving improved access to the Japanese market on a sustained basis."

In 1992, US officials noted, the fourth-quarter figure hit a similar high point of 20.2 per cent, only to decline sharply over the next three quarters.

"This year, we sincerely hope that Japan will not become complacent with the fourth quarter's positive results, only to have the market access figure slide backwards in subsequent quarters," said Mr Andrew Proccassini, president of the Semiconductor Industry Association, a trade group representing US chipmakers.

"It is essential that effective steps be taken now by the Japanese government and industry to ensure that gradual and steady improvements in foreign market share continue throughout the duration of the arrangement," which ends in 1996, said Mr Kantor.

Japanese industry officials, said the fourth-quarter market share increase and the large increase in foreign semiconductor sales in Japan over the past year "are among the many indicators of the wider access enjoyed by foreign suppliers."

Sales of foreign-made semiconductors to Japan rose to \$4.5bn (£3bn) in 1993, up from \$3.3bn in 1992, according to the Electronic Industries Association of Japan. The trade group noted that this represents the seventh year that foreign sales have increased. Almost 90 per cent of foreign sales to Japan come from the US.

The EIAJ also noted that foreign market share stands at 22.1 per cent when the sales of "captive manufacturers," who make chips for their own use, were included. The US does not recognise this figure.

Government and industry officials from the US and Japan are expected to consider, in Hawaii next week, whether Japan is doing enough to comply with the semiconductor agreement.

Emergency consultations in January, following the announcement of a decline in market share in the third quarter, ended without agreement on any additional actions by Japan.

"Japanese government and industry should come forward, beginning [at] next week's trade consultations, with a plan to prevent a repeat of the foreign share declines that characterised most of 1993, and to assure the 'steady progress' required by the 1991 US-Japan Semiconductor Trade Agreement," said Mr Proccassini.

"We believe the focus should be on the mutual reliance and complementary relationships that have grown between Japanese semiconductor users and foreign suppliers," said Mr Hideo Kikuchi, senior executive vice-president of Toshiba and chairman of the EIAJ's committee to promote purchase of foreign semiconductors.

EU biotech market may be worth \$94bn in 2000

By Ronald van de Krol in Amsterdam and Daniel Green in London

The European biotechnology market is expected to grow 15 times, to exceed \$94bn (£63bn) by the year 2000 and create up to 2m new jobs, the management consultancy Ernst & Young said in a survey of the industry, released at a seminar in Amsterdam.

"This industry has emerged from academic science to become one of Europe's most promising industries," the study said, quoting a European Union advisory group's estimates.

The group, formed in 1989, puts the current European market for biotechnology-derived products at £6.5bn (\$3.6bn), rising to £63bn by the end of the century.

Biotechnology companies are expected to raise around £1bn through initial public offerings on the London Stock Exchange over the next couple of years. This would allow early investors, such as venture capital

companies, to cash in their investments and plough them back into the industry to fund new start-ups.

While US companies have found it increasingly difficult in recent months to raise money in stock market flotations, the London Stock Exchange has already attracted more than £200m in initial public offerings from biotechnology companies since June 1993, when it altered its "profits track record" rules on profitability for young, emerging pharmaceutical and diagnostic companies.

The changes have made London - the first exchange in Europe to adapt its rules to the special needs of fledgling biotechnology companies - an alternative to the US Nasdaq exchange used by some European biotechnology companies.

So far, 11 biotechnology companies have found their way to the London exchange, and brokers expect about 20 such companies to be listed within the next 12 months, according to Ernst & Young.

The survey also found that the pace of alliances in the European biotechnology sector is set to pick up sharply, partly reflecting a new interest among large pharmaceutical companies in harnessing the technologies developed by smaller, younger companies.

The survey findings were presented this week at a conference in Amsterdam organised by Ernst & Young and Atlas Ventures, the venture capital group, to promote partnerships within European biotechnology.

At the event, 35 biotechnology companies presented themselves to an audience of 150 potential partners, including not only investors but also representatives from pharmaceutical companies.

Mr Steven Burrell, an adviser to Ernst & Young, said that, although European biotechnology companies still lagged behind their US counterparts in finding finance, they enjoy some advantages, one being the quicker product approval by European regulators.

Brussels agitates against American regulatory charges on foreign banks

By Gillian Tett in Brussels

The European Union is to step up pressure on the US to reverse plans to introduce charges for the regulatory supervision of non-US banks operating in the US.

A meeting of European finance ministers on Monday will authorise a strongly worded protest to the US Federal Reserve and the Senate banking committee, insisting that the new regulations contravene the Gatt agreement, European Commission officials said yesterday.

The issue is likely to make further difficulty in trade relations as the EU and US wrangle over their final offers for

market access before a Gatt meeting next month.

Commission officials in Brussels said the proposed audit charges were "grossly discriminatory" because they would only affect non-US banks. "The fact that this is going to the economics ministers' council shows how seriously we take this," a commission official said.

The Federal Reserve has so far refrained from indicating how high the charges would be. However, the development has prompted anger among European banks and governments, which say that the charges would impose an unfair burden on European and other banks operating in

the US and contravene the principle of national treatment.

One European diplomat yesterday said: "In money terms, this might not necessarily be very much but the principle is extremely important. This is blatant discrimination against the non-US banks."

However, one of the three US federal regulatory authorities, the Comptroller of the Currency, does levy charges on domestic banks.

The proposed new charges emerged as part of the foreign banking supervision act, which was passed by the US Congress during the Bush administration but is not yet implemented. The relevant provision states that foreign banks shall

meet the "cost of any examination" required under the regulatory framework.

The requirement, aimed at strengthening supervision of foreign banks in the US, was prompted by the collapse of Bank of Credit and Commerce International.

This has provoked much unease within the Federal Reserve, already in a tussle with the Treasury and the Senate banking committee over proposals to reform the US banking regulatory framework.

With the Senate pressing for the relevant provision to be implemented, the Federal Reserve has called for public consultation before the new charges are introduced.

US airlines agree not to use 'price-fixing' information system

By Richard Tomkins in New York

Six US airlines have agreed not to use a computerised fare information system to communicate proposed fare changes, following federal government allegations that the system amounted to a price-fixing ring.

The US Justice Department had accused the carriers - American Airlines, Delta Air Lines, Continental Airlines, Northwest Airlines, Trans World Airlines and Alaska Airlines - of using the system to exchange coded messages about planned fare changes.

The department said the system,

run by the industry-owned Airline Tariff Publishing Company, amounted to an "electronic smoke-filled room" used by airlines to float fare changes, receive counter-proposals, and reach consensus on the amount and timing of price cuts or increases.

The department's anti-trust suit

alleged that one airline might signal its intention to reduce fares on one of its competitor's most lucrative routes, only to receive a threat from the competitor to cut fares on the first airline's most profitable routes. Often, the result was a decision to abandon the fare cuts or reach an accommodation, the

Justice Department said.

The airlines said the continuing fare war in the US domestic market showed the allegations were baseless, and travel agents said the absence of information on planned fare changes would make it more difficult for people to plan travel.

However, the airlines stopped the

practice when the suit was filed more than a year ago, and agreed not to re-start it.

The settlement is substantially the same as one reached with the other two big US carriers, United Airlines and USAir, in December 1992 after a similar suit. The airlines will not be penalised.

Washington's new ticket avoids showdown

Paul Betts plots a route through what is still challenging turbulence between American and foreign air carriers

The US government has averted a showdown with two of its main European allies on aviation policy by renewing British Airways' ticket code-sharing rights with USAir and approving a similar agreement between Lufthansa of Germany and United Airlines.

But the decisions, taken after a week of hectic meetings in Washington, have failed to resolve the underlying tensions in aviation relations between the US and other industrialised countries.

As a reminder of the continuing difficulties and tensions in international aviation, Japan yesterday said it would shorten the licence period for US airlines on trans-Pacific routes to Japan from one year to six months, in retaliation for a US decision to postpone approval for a Japan Airlines service to Honolulu.

The US is also in dispute with Australia over airline services and continues to have no bilateral air service agreement with France, following the French government's earlier decision to renounce its aviation pact with the US.

South-east Asian carriers have also warned the US they are considering formation of their own airline bloc to protect their aviation interests, unless they can secure similar rights to US airlines both in the Asia-Pacific regional market and the US domestic market.

Mr Cheong Choong Kong, chairman of the Orient Airlines Association and managing director of Singapore Airlines, recently called for fairer conditions in US aviation relations with Asia, especially since the Asian market was expected to overtake the domestic US market in size by

the end of the century.

"It seems to be the US against the rest", one US airline executive said.

The heightened tensions between the US and other industrialised countries are in large part the result of a new breed of big US carriers seeking to exploit far more vigorously the historical aviation rights which the US had secured, in both the European and Asian markets, after the second world war.

These traditional rights had been held by the now defunct Pan American Airlines and TWA. These airlines have now been superseded by American Airlines, United and Delta Airlines, which have been aggressively seeking to expand their international reach, using existing US international aviation traffic rights as well as pressing their government to negotiate even greater access

to foreign markets. In an increasingly global and liberalised airline market, both European and Asian flag carriers have in return asked for more access to the US market.

The most significant dispute, however, has involved the bilateral aviation relations between the US and the UK, whose trans-Atlantic routes are the busiest in the world.

The ultimate outcome of the protracted negotiations between Washington and London is seen as likely to set a pattern for other aviation agreements with the US, which now accounts for about 40 per cent of the western air travel market.

Both the US and the UK are committed to airline liberalisation. But, while advocating "open skies" and open trade relations, the governments of both countries have had to

contend with the conflicting interests of their respective airlines and have been reluctant to make any significant concessions to break the current deadlock.

The issue has been further complicated by the two countries' different interpretations of what "open skies" entails. Simply put, the US has offered the UK "open skies" across the Atlantic but not in its domestic market. The UK, in turn, has offered the US more access into the UK market but not at Heathrow in London, the world's busiest international airport.

In return for allowing United Airlines and American Airlines to replace Pan American and TWA at Heathrow in 1991, the UK secured code-sharing rights for British carriers in the US. BA subsequently exercised these rights after forging a partnership with USAir, the

sixth-largest US carrier, in which it invested \$400m (£260m) via a 24 per cent stake. The US airlines claimed that this was, in the words of American, "a loose deal" for them in that it gave BA access to their market without similar benefits for US carriers at Heathrow.

The UK has insisted, though, that any additional access for US carriers to Heathrow would depend on the US granting more opportunities for UK airlines in the US market, either by allowing them to acquire bigger stakes in US carriers or by possibilities to serve additional US domestic destinations.

Some US airlines then pressed Washington to renounce the existing aviation agreement with the UK and withdraw BA's code-sharing rights with USAir.

At the end of the day, the US

administration decided to avoid an all-out confrontation by renewing, on Thursday night, BA's existing code-sharing rights for a full year, while expressing extreme disappointment with the lack of progress in the negotiations.

The two countries last year had hoped to reach a broad agreement on liberalisation by the end of April 1994. It seems highly unlikely that they will meet this target. Both sides yesterday said they had no plans to resume talks.

In their absence, the stand-off continues, with the rest of the air transport industry anxiously watching.

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NEWS: INTERNATIONAL

UN due to pass resolution on settlers

By David Horowitz in Jerusalem

Speculation intensified in Jerusalem yesterday that the Israeli government was considering the evacuation of at least some of the settler enclaves in the heart of Hebron where at least 30 Palestinians were massacred by a Jewish settler last month. The Palestine Liberation Organisation has demanded a crackdown on settler radicals as a pre-condition for resuming peace talks.

Mr Yasser Arafat, the PLO chairman, is expected to meet Mr Shimon Peres, the Israeli Foreign Minister, in Cairo early next week in an attempt to clear the way for a resumption of negotiations on Palestinian autonomy in the occupied territories. The meeting had been initially scheduled for tomorrow but it was then realised that the host, President Hosni Mubarak, would only return to Egypt late tomorrow night from a conference in Zimbabwe.

Mr Peres said yesterday that he planned to discuss with Mr Arafat ways to speed up the implementation of the "Gaza and Jericho first" autonomy deal. The idea of a Peres-Arafat meeting was raised by Mr Dennis Ross, the US peace talks co-ordinator, who is due to visit the region again next week to mediate a resumption of the autonomy negotiations. The plan was accepted by the PLO on condition that the UN Security Council first issued its much-delayed resolution condemning the February 26 massacre.

The Security Council was scheduled to vote late last night on the resolution, which includes a call for new measures to protect Palestinians in the occupied territories, including the deployment of "a temporary international or foreign presence."

Mr Yitzhak Rabin, Israel's prime minister, has said he would allow an international observer force to deploy in the West Bank, and has also said he would be delighted if about 1,000 Palestinian policemen,



A rabbi helps an Israeli border policeman prepare for prayers at the Walling Wall as he takes a break from guard duty

who resigned their Israeli-supervised posts at the start of the uprising more than six years ago, were to return to their duties.

Mr Rabin and Mr Peres were closeted together for several hours in Tel Aviv yesterday. It is possible that the government could decide to bring the 400 Jewish settlers inside a single compound, instead of the present situation where they are dispersed in small enclaves across Hebron.

Mr Peres insisted yesterday that "no decision was yet taken" on the matter. But Mr Yossi Sarid, the environment minister, who has been playing an increasingly prominent role

in the peace negotiations, said that "there probably will not be any alternative but to evacuate certain settlement sites inside Hebron."

Talk of moving or evacuating Hebron settlers has brought a wave of right-wing protest. Rabbi Moshe Levinger, the ideological leader of the settlers, said that Mr Rabin's reference on Thursday to the "crazy" dispersal of Jews across Hebron was "an insult to our forefathers and to all settlers." Mr David Levy, foreign minister in the former Likud government, warned that the government was "bowing to PLO dictates... capitulating to PLO demands."

Japan seeks better links with China

William Dawkins and Tony Walker preview Mr Hosokawa's visit to Beijing

Mr Morihiro Hosokawa, the Japanese prime minister, will be less direct than the Americans and yet more frank than his own predecessors when he starts his first official visit to China today.

Chinese leaders will welcome Mr Hosokawa's low-key demeanour, a contrast to Washington's recent bluntness towards China. So he can expect a warm reception, in contrast to the chill that greeted Mr Warren Christopher, US secretary of state, last week, when he was strongly criticised for Washington's decision to link renewal of China's trade privileges under its most favoured nation (MFN) status to an improvement in human rights.

Mr Hosokawa's visit, the first by a Japanese prime minister for three years, marks an increase in Sino-Japanese official contacts. This reflects a sharp rise in two-way trade and Japanese investment in China, and Beijing's eagerness to sound out Japan's first non-Liberal Democratic Party government for 38 years.

Only last month, Mr Zhu Rongji, China's senior vice-premier in charge of the economy, met Mr Hosokawa and members of his government in Tokyo, while Mr Tsutomu Hata, Japan's foreign minister, visited Beijing in January.

Yet Mr Hosokawa will also show on his three-day visit that Japan's attitude to China has changed, if only in tone, from the embittered stance shown by Liberal Democratic Party governments during its

38 years in power.

Japanese officials say they want relations with China to mature, in the sense that both sides should speak more freely.

Mr Hosokawa shares strong views on human rights with his foreign minister, who told Chinese leaders in January that Tokyo would be more frank in discussing sensitive issues. "We expect China to take a more positive attitude," said a Foreign Ministry official yesterday.

Mr Hosokawa is also expected to suggest to Beijing that it could make its allies less nervous by giving more information about its planned 2.4 per cent rise in military spending this year. He is likely to register Japan's worries over China's resumption of nuclear weapons tests last October and call for more help from Beijing in ending North Korea away from nuclear weapons.

The environment is also on Japan's agenda. One side effect of China's economic growth has been concern over acid rain from its coal-fired power stations reaching Japan. Mr Hosokawa is due to sign an environmental protection agreement, which should go some way to assuaging Japanese worries.

Japan is also moving for the first time towards using its weight as Beijing's largest provider of bilateral aid to try to influence policy.

Officials have indicated future cheap loans could be used to encourage Beijing to be more open about defence spending and to come up with environmental projects, a

JAPANESE INVESTMENT IN CHINA

Contracts signed		
Date	\$m	Number of contracts
1989	438	294
1990	457	341
1991	812	589
1992	2170	1805

Contracts carried out	
Date	Number of contracts
1989	358
1990	533
1991	532
1992	710

Source: Japan External Trade Organisation

change from Tokyo's previous policy of disbursing Chinese aid without conditions.

Japan's five-year ¥810bn loan programme for China, the only country to get long-term loans from Tokyo, runs out at the end of next year, so the subject could come up. Beijing wants another long-term programme, fixed in yen, but Tokyo is understood to lean towards tougher conditions: shorter loans at a floating exchange rate.

At the same time, neither side wants to let sensitive topics spoil their very good relations.

Japan, for one, needs to protect its fast-growing economic interests in China. Until three years ago, Japanese companies were cautious. But the rapid growth of China's economy - 13 per cent last year - has sucked in a sharp increase in



Hosokawa: low-key demeanour

Japanese investment and trade. Two-way trade rose by 31 per cent to a record \$37.84bn last year, when a 45 per cent rise in exports to China made it Japan's second-largest foreign market.

Corporate Japan has turned increasingly to China as a cheap production site to escape the blow to its own competitiveness inflicted by the rising yen.

Japanese companies signed \$2.2bn-worth of investment contracts in China in the first nine months of last year, slightly more than in the whole of 1992, according to the Japan External Trade Organisation. China is now Japan's biggest new investment location, according to a survey by the Export-Import Bank of Japan.

Yet Japan's caution has made it relatively late in the race for the Chinese market.

By the middle of last year, it had completed \$5.2bn of investment in China, set to rise to \$6bn this year, making it only the third foreign investor after Hong Kong and Taiwan.

China, too, wants to develop the relationship. A recent commentary in People's Daily, the Communist Party newspaper, shows high hopes of Japan as a source of investment and advanced technology.

China's long-term growth rate of 8.9 per cent had created conditions for prosperity in both China and Japan, and this was now accepted by the Japanese political and business leadership, it said. Japan is funnelling about \$200m into China annually to help train Chinese managers and enhance Chinese expertise in various areas, including environmental protection.

There is a chance that Mr Hosokawa might confront another sensitive subject: Japan's wartime atrocities in Asia. This appears to be the minds of the Chinese public, judging by yesterday's demonstrations for compensation outside Japan's Beijing embassy.

Mr Hosokawa won respect from some of his Asian partners when he first issued an apology, on becoming prime minister last August, for Japan's wartime behaviour.

Whether he chooses to repeat the gesture, that episode in history is a brooding factor in the general background of Sino-Japanese relations. The Chinese themselves are not averse to manipulating Japanese guilt to their own advantage.

US concern over Pyongyang missiles

By Jurek Martin in Washington

The US has expressed concern that North Korea is in the process of developing two new types of long-range ballistic missile with the potential to threaten most of Asia.

Mr James Woolsey, director of the CIA, told a symposium at the agency's headquarters on Thursday night that if the new North Korean missiles were bought by unnamed countries in the Middle East, Europe could also potentially be at risk.

"These new missiles have yet to be flown," Mr Woolsey said, "and we will monitor their development, including any attempts to export them." Earlier this month Jane's Defence Weekly reported that satellite reconnaissance had detected what appeared to be full scale mock-ups of two new missiles at a site of North Korea's north east coast.

He drew a distinction between the threats posed by the North's nuclear and missile programmes. On the former, the US, according to congressional testimony this week by Mr Winston

Lord, the undersecretary of state for Asian affairs, still hopes Pyongyang will agree to full inspection of its facilities.

But planned bilateral talks due next week have been postponed and the US is again considering re-activating the Team Spirit military exercises held jointly with South Korea. These were put on hold, as were prospective deployment of US Patriot anti-missile missiles in South Korea, so as to induce the North to co-operate with inspectors from the International

Atomic Energy Agency.

Yesterday, Congressman Lee Hamilton, chairman of the House foreign affairs committee, urged further pressure on North Korea, including deployment of the Patriots and going ahead with the Team Spirit exercises.

"The pattern has been that North Korea does eventually accede if enough pressure is brought on them," he said on TV. "All we can do is to ratchet that pressure up and at the same time keep open the opportunity for a negotiated solution."

Police armed Zulus, says judge

By Patti Waldmeir in Umtali, South Africa

A judicial commission of inquiry in South Africa yesterday published evidence showing that senior officers of the South African police helped supply weapons to the Zulu-based Inkatha Freedom Party, the clearest suggestion yet of security force involvement in political violence.

The report, released yesterday by the prestigious Goldstone Commission, headed by Judge Richard Goldstone, appeared to support longstanding allegations by the African National Congress that a "third force" is involved in political violence between Inkatha and the ANC.

The report said a special

police unit was involved in the manufacture and smuggling of weapons to Inkatha and that Lt-Gen Basie Smit, police force No 2, Maj-Gen Krappies Engelbrecht, head of police intelligence, and Maj-Gen Johan le Roux, another senior police officer, had been aware of the unit's existence.

President F W de Klerk said the three men had been suspended and an international task force would investigate their case.

The commission's report alleged that senior police officers were involved in arms supplies to Inkatha since 1990. In 1992, the so-called Inkathagate scandal, involving government funding to Inkatha rocked the government of President de Klerk. At that time, he claimed he was

unaware of the funding and insisted that all improper links between Pretoria and Inkatha had been severed.

President de Klerk announced a purge of the senior ranks of the police force in late 1992 and appointed a respected officer of the South African Defence Force to conduct an inquiry into security force involvement in violence.

This was never published and its recommendations were never made known.

Yesterday's report said the men were involved in the manufacture of home-made weapons in the East Rand townships near Johannesburg which have seen some of the worst violence since political unrest increased dramatically four years ago.

Meanwhile, in a move likely to increase the potential for further political violence, Zulu king Goodwill Zwelethini held a public meeting at Umtali, capital of the Kwa Zulu black homeland to call on his supporters to boycott April's all-race elections.

He urged them to fight to defend the sovereignty of the Zulu nation, which he said was under threat.

"I call on all Zulus to fulfil their sacred duty to defend our freedom and sovereignty," he told a crowd of 15,000 heavily-armed Zulu warriors. The ANC and government had hoped to persuade the king to endorse the election, despite the opposition of Inkatha, but this hope was dashed last night by the king's belligerent address.

Engineering. The works.

Ingenuity - The FT Review of Engineering, Friday, March 25.

The second issue of Ingenuity, the FT Review of Engineering will be published with the Financial Times on Friday, March 25.

It will examine a number of engineering companies which are developing new products or using new manufacturing methods to enhance productivity and competitiveness.

It will also give valuable insights into how the engineering industry in Britain and the rest of Europe is poised to benefit from economic recovery.

So, if you need to know how well the engineering industry is working, be sure to get your copy of the FT on Friday.

FT. Because business is never black and white.

Top Indonesian bankers held in \$430m scandal

By Victor Mallet in Bangkok

Indonesia said yesterday it had arrested two senior bankers in connection with a scandal over a \$430m (£294.50m) letter of credit extended by a state bank. The loan was supposed to finance petrochemical projects but was allegedly diverted to Hong Kong.

The case involving PT Bank Pembangunan Indonesia (Bapindo) is arousing intense interest among Indonesians and their trading partners because of concerns about the bad debts of the state banks, which account for about 80 per cent of bank business in the country.

The two men arrested were Mr Towil Heryoto, who headed Bapindo until he was replaced by the government this week, and Mr Subekti Ismaun, who was chief of the bank when the unsecured letter of credit was issued in 1992, according to the Attorney General's office.

Another former Bapindo executive and Mr Eddy Tansil, director of the Golden Key group which received the credit, were arrested earlier. With accrued interest, the loan was now supposed to be worth more than \$620m, but it

is apparently not being repaid and it is not clear where the money went.

Mr Mar'ie Muhammad, the Indonesian finance minister, announced recently that latest figures showed 21.2 per cent or around \$7bn of outstanding loans extended by the seven big state banks were classified as bad or doubtful, compared with 17.4 per cent at the end of 1992 and 6 per cent in 1990.

Bankers in the private sector believe some state banks, which have a reputation for lending money to businessmen with good political connections, have bad or doubtful loans amounting to as much as 60 per cent of their portfolios. Although appalled by the extent of the problem, they are happy to see the finance ministry trying to tackle the issue in public.

"In the past this would never have come up; it would have been swept under the carpet," said one banker. "It has been taken very seriously by the minister of finance."

The Attorney General's office said it wanted to bring the four men in jail to trial as soon as possible. "This is not a case about bad or problem debts, but about corruption."

Banks back Brazil on restructuring

By Angus Foster in São Paulo

Brazil's bank creditors yesterday appeared ready to go ahead with a \$52bn (£35.60bn) debt restructuring even though the country failed on Wednesday to win a standby loan accord from the International Monetary Fund.

Creditors holding at least 66 per cent of the debt need to drop their original requirement for IMF support if the deal is to go ahead. Mr William Rhodes, vice-chairman of Citibank and chairman of the bank advisory committee, said he was "confident we will get the waivers by the end of next week". Banks on the advisory committee, which account for about a third of the debt, have already backed the waiver and asked other creditors to agree by March 24.

Bankers were rushing to complete various technical details in time for a notification deadline due to expire last night. The restructuring is due to go ahead on April 15 and would make Brazil the last large Latin American country to complete a Brady-type debt deal.

Brazil, the developing world's largest debtor nation, is also thought to have made arrangements to secure up to \$2.8bn in US Treasury zero coupon bonds as a guarantee for the first part of the restructuring.

The guarantee was originally to have been provided by the US Treasury, but only if the IMF had provided a standby facility. Brazil says it has "executed arrangements" to have the collateral in place when it is needed.

HK property boom row

Hong Kong's government was yesterday urged to bring in drastic measures or face social unrest, Louise Lucas writes from Hong Kong.

Mr Martin Lee, leader of the minority United Democrats Party, told a finance committee meeting of the Legislative Council (LegCo) that people were growing increasingly disgruntled at being unable to

buy a flat in the boom market. "It could end up in public disturbances," he said, proposing the introduction of a property gains tax.

Mr Tony Eason, secretary for the planning, environment and land department, said the answer was to speed up the supply of land. This is limited to 50 hectares a year under the 1984 Sino-British agreement.



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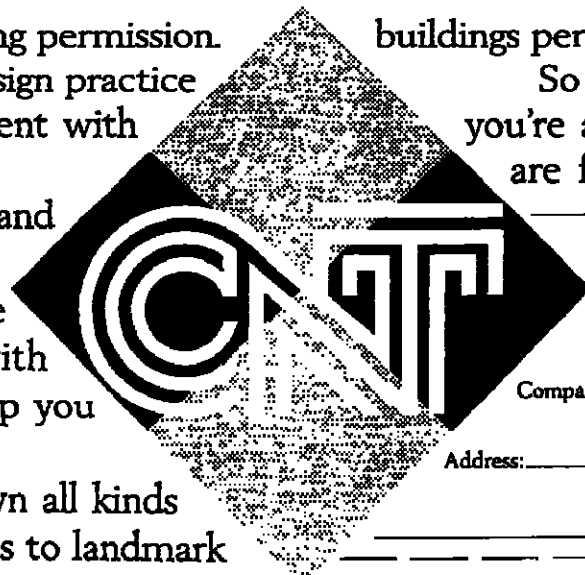
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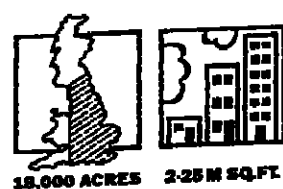
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NEWS: UK

Testing in jeopardy, stress head teachers

By John Authers

Secondary school heads yesterday stepped up pressure over the national curriculum with a statement that industrial action by only one teacher could be enough to halt all tests in a school.

Mr John Patten, the education secretary, immediately attempted to persuade heads to take a stronger line against the action.

Addressing the Secondary Heads Association's annual conference in

Bournemouth, he said: "Any industrial action in schools puts heads squarely in the crossfire. That is bound to be uncomfortable. But head teachers as managers and chief executives of their schools know that big issues are at risk."

Head teachers are in an awkward position because the UK's largest teaching union, the National Union of Teachers, intends to boycott all the tests.

Mr Patten said such action was "damaging and pointless" and added

that both Sir Ron Dearing, the government's chief adviser on the tests, and Ofsted, the education watchdog, had found the tests valuable.

Pressure on Mr Patten had seemed to have lifted after the two other teachers' unions which boycotted the tests last year - the Association of Teachers and Lecturers and the National Association of Schoolmasters' Union of Women Teachers - advised their members to abandon the boycott this year.

But Mr John Sutton, general secretary of the Secondary Heads Association, which includes 80 per cent of all secondary schools, made it clear that the NUT could still cause serious disruption.

Mr Sutton told conference: "Our members will not ask teachers to undertake tasks which members of the NUT have refused to do. If you have a head of department who is boycotting, you've probably blocked all tests for that department."

He added that NUT members responsible for a school's over-

all timetabling would be able to force abandonment of the tests altogether.

Mr Patten made a strenuous attempt to shake heads away from this position, saying that both the law and the Dearing proposals were at stake. "If, as head teachers, you believe in the consensus which Sir Ron has fashioned, I hope you'll stand up for that consensus and make it work," he said.

In another speech to Conservatives in Andover last night, Mr Pat-

ten expressed deep concern at the decline in the teaching of British history in schools and called for it to take pride of place in schoolchildren's historical studies.

"We must not allow our children to be robbed of their birthright of knowledge about our country's history," he said.

Mr Eric Forth, the schools minister, yesterday announced that 41 local education authorities will share a total of £5.57m to improve school buildings.

750 jobs shed at three groups

About 750 jobs in steel, engineering and ship repair faced the axe last night following announcements of cuts at British Steel Tinsplate in south Wales, Bridon, the Doncaster-based wire rope group, and A & P Appleford on Tyneside. Andrew Baxter and Chris Tickle write.

British Steel Tinsplate is cutting 345 jobs by restructuring work patterns and closing older coating lines. It said about 155 jobs would go at its Ebbw Vale works in Gwent and about 190 jobs at the Trostre works near Llanelli.

A & P Appleford, the UK's largest commercial ship repairer, announced 150 shop floor redundancies at its Tyneside yards, more than halving the present hourly paid workforce.

Bridon is seeking up to 250 redundancies, initially on a voluntary basis. The move is part of a restructuring programme announced last month.

Job losses 'hit ethnic workers'

Black and Asian workers are seven times more likely to lose their jobs than white people, the Trades Union Congress says in an analysis, published today, of the government's labour force survey.

The rate of job losses among white workers was 0.5 per cent between the summers of 1992 and 1993, but for workers from ethnic minorities there was a 3.7 per cent fall.

The TUC is today holding a demonstration in east London against racism.

Northern growth continues, says CBI

Businesses in north east England and Cumbria are continuing to see steady growth in trade, although margins remain very tight, Mr David Cranston, the Confederation of British Industry's, new northern regional chairman said yesterday.

Mr Cranston, chief executive of Northumbrian Water, said the northern economy was continuing its steady recovery, and a few companies were finding market conditions positively buoyant.

Labour attacks business strategy

Labour yesterday accused the government of neglecting important opportunities for British business presented by the rising demand for the control of industrial pollution around the world.

It called on the Department of Trade and Industry to support businesses that provide environmental technologies.

£80,000 fines for Guinness site death

RF Winder Electrical, a Leeds subsidiary of drinks group Guinness, and Mr Michael Sault, its technical engineering manager, were fined a total of £75,000 and £5,000 respectively yesterday at Harrow Crown Court for a breach of safety rules which resulted in the death of a foreman.

Mr Anthony Flaherty died in September 1992 after he touched live equipment carrying 11,000 volts while installing an extension to switchgear at the Guinness Brewing World-wide brewery in Park Royal, west London.

Missing persons bureau launched

The first police national missing persons bureau was launched yesterday at Scotland Yard. It expects to log details of about 100,000 people a year.

Mr David Veness, Metropolitan Police deputy assistant commissioner, said most of the missing people would be reunited with relatives very quickly and only about 1,600 would remain unaccounted for.

Jumpy bond markets hit M4 lending

By Philip Coggan, Economics Correspondent

Turmoil on the bond markets in February fed through to the money supply figures last month.

A £1.55bn repayment of debt by securities dealers meant that sterling lending to the M4 private sector was just £600m on a seasonally adjusted basis, compared with market forecasts of £1.8bn. It was the second consecutive month that M4 lending was much weaker than expected and followed a lending figure of £141m in January.

The main factor behind February's weakness appears to have been the need for securities dealers to repay debt and reduce their vulnerability to further price falls in the bond market.

According to the British Bankers Association, dealers borrowed £2bn in October and November, money which probably helped finance the end-of-year surge in bond prices. But prices fell sharply in February.

Mr John Sheppard, chief economist at Yamachi International (Europe), said: "The inference (from the lending figures) is that securities houses have reduced their positions in the bond market."

The BBA reported that total sterling lending by the main British banking groups to the UK private sector fell £244m in

February, following a rise of £552m in January. Consumer borrowing was a weak £38m, down from a revised £82m in January.

Lord Lush, director general of the BBA, said: "Overall, despite the recent cut in interest rates, there is little demand for funds from the corporate sector, which seems to be obtaining any necessary funding from a combination of improved profitability and continued use of the capital markets."

The weakness of the lending figures was offset by other money supply figures yesterday.

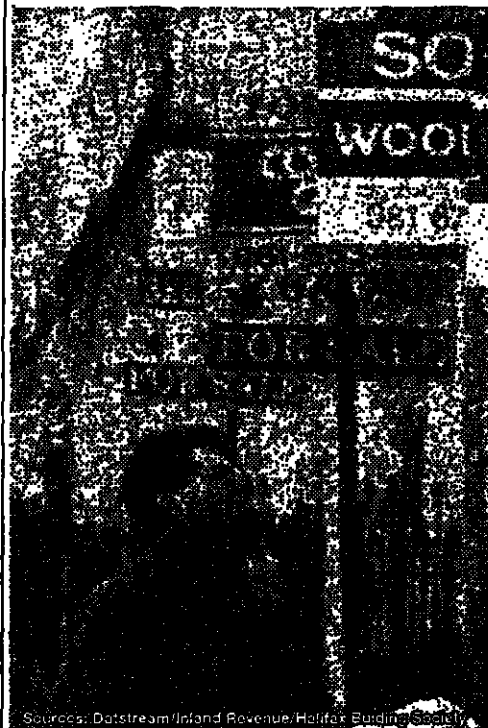
The annual growth in M4 as a whole, the broadest measure of the money supply, was 5.9 per cent, up from 5.6 per cent in January.

The monthly rise between January and February was 0.3 per cent, above analysts' expectations.

M4 has been accelerating in recent months and the annualised growth rate over the three months to February was 6.3 per cent. The government's monitoring range is 3 per cent to 9 per cent.

Mr Adrian Cooper, UK economist at James Capel, said that January's strong growth in M4 was due to special factors, particularly a large public sector borrowing requirement which was not fully funded by gilts issues.

Societies in a squeeze



Upturn has some downside for societies

By Alison Smith and Andrew Taylor

The upturn in building societies' mortgage lending is more of a mixed blessing than it might appear.

First, the good news. Net new commitments in February totalled 2,935m, compared with 1,830m the previous month and £2,720m in February last year. The figure was the highest monthly total since July.

But the bad news for them is the difficulty in funding the increase in lending if they are

unable to attract enough retail savings.

Last month gross mortgage lending increased to £2,240m compared with £2,050m in January and was 17 per cent more than the corresponding month last year.

Mortgage applications traditionally pick up at this time of year as the peak spring buying season approaches. Nonetheless the figures confirm the recent upsurge in demand reported by housebuilders and estate agents.

House sales, according to

Inland Revenue conveyancing records, rose by more than a third in January compared with January last year.

Prices have also started to rise again. According to Halifax building society, the UK's largest, the average price of a home rose by 3.5 per cent to £62,495 during the 12 months to the end of January.

According to seasonally adjusted figures published by the Bank of England, there is further good news for societies, in that they seem to be regaining some of the market share

they lost to banks last year. Building societies' difficulties in attracting retail savings increases the pressure on the government to move quickly in relaxing the amount of funds that societies can raise on the wholesale markets, where funding is cheaper at the moment.

A rise in the statutory limit from 40 per cent of funds to 50 per cent is in prospect, but a change in the law is dependent on the passage of the de-regulation bill, which is still some months away.

In the meantime, Mr John Whitham, societies analyst at UBS, says that in order to allow societies to compete, the Building Societies Commission, the sector's statutory regulator, should raise the regulatory limit on wholesale funding which it sets for each society, below the overall 40 per cent ceiling.

"The commission would be well advised to relax individual ratios ahead of the impending general relaxation arising from the legislation on de-regulation," he says.

Hurd restresses stance on EU votes

By James Blitz and Ivor Owen

Mr Douglas Hurd, the foreign secretary, yesterday sought to reassure Conservatives that he would not strike an agreement on a new European Union voting system that would dilute British interests.

Addressing Conservatives in Poole last night, Mr Hurd said there was no guarantee that Britain would reach agreement with its EU partners on a new voting system when foreign ministers resumed talks on the issue next week.

"If we are to move forward as a Union of 16, it should be on the basis of as widespread consent as possible," he said. "That is the best way to avoid conflict and bickering on a permanent basis."

He said that the British public wanted the government to exercise judgement in the interests both of Britain and Europe.

EU member states propose that the threshold for the "blocking minority" should rise from 23 to 27 votes when four new countries enter the union next year. Britain and Spain are opposing this, although both are being offered a compromise that would allow a minority of states to see a two-month delay in decisions.

Meanwhile, pressure intensified on the government yesterday to accept that its citizens should have a continuing right to initiate individual cases in the European Court of Human Rights.

Mr Richard Alexander, Conservative MP for Newark, in a Commons debate on the Council of Europe, warned that Britain's reputation would be damaged if the government tried to insist that it should remain a conditional right, subject to review at five-yearly intervals.

Turkey, whose record on human rights would not commend itself to the British people, was the only country to have adopted a similar attitude.

Mr Mark Lemnox-Boyd, foreign office junior minister, said the UK government was still considering a suggestion that the right should be made mandatory.

Revenue presses on with quest for greater power

By Andrew Jack

The Inland Revenue yesterday pledged to lobby for additional powers to carry out its tax investigations after its attempt to introduce amendments in the finance bill failed on Thursday night.

It plans to issue a consultation document in the next few months with the aim of introducing clauses into the next finance bill to enhance its right to gain access to accountants' papers.

The decision came after the government decided on Thursday night to withdraw section 241 of the finance bill, which would have increased the powers of the Revenue to seize books and records. The Revenue said that it had no plans to reintroduce the proposals in

the current bill. The withdrawal was triggered by substantial opposition to the draft legislation, including protests from Conservative politicians and from professional tax and accounting bodies.

The idea of granting the Revenue additional powers for its inspectors was mooted by Mr Kenneth Clarke, the chancellor, in his Budget speech last November. Details were provided in January's finance bill.

The Revenue said that it needed additional powers because co-operation between it and tax practitioners had declined since the 1970s.

The draft section 241 would have permitted the Revenue to gain permission for a raid from someone authorised by one of its board members. There

would have been no automatic right for the accountant to appeal against this power.

It specified that a belief that a tax accountant knew a tax return of a client was incorrect would be sufficient to justify a raid to gain access to papers. This substantially enhanced the Revenue's ability to gain access to accountants' records.

The position was modified in guidance notes issued by the Revenue last week, which said that a board member would have to approve the raid, and that the accountant would be able to appeal.

Mr Peter Wyman, tax partner at Coopers & Lybrand, said: "If the Revenue needs additional powers they should have them, but there must be a way to provide adequate safeguards."

Scott says Customs probe of Matrix was inadequate

By John Mason, Law Courts Correspondent

Customs officials were yesterday criticised by Lord Justice Scott for failing to ask the right questions during their probe into the Matrix Churchill arms-to-Iraq case.

The judge, heading an inquiry into the affair, said investigators had not properly followed up allegations that officials "did not care" whether machine tools sold to the Iraqis were used to make weapons.

Miss Annabelle Bolt, a Customs and Excise lawyer, told

the inquiry that the Department of Trade and Industry appeared reluctant to see the affair investigated because shortcomings in its operations might be revealed.

Earlier the inquiry heard how Customs continued with its prosecution of three directors of the machine-tool company in spite of concern that it might turn into another "supergun" fiasco.

Then, charges brought over the exporting of pipes for the Iraqi supergun project were dropped after the attorney general warned Customs that the

prosecutions would probably be unsuccessful.

Sir Brian Urwin, then chairman of the Customs Commissioners, wrote in a memorandum about the Matrix Churchill case: "To put it crudely, I don't want a repeat of the gun affair."

His note was written in December 1990, two days after he had attended a meeting of civil servants to discuss newspaper allegations that Mr Alan Clark, the former trade minister, gave Matrix Churchill "a nod and a wink" to carry on selling to Iraqi munitions factories.

Insolvency priorities to include sick pay

By Andrew Jack

Holiday and sickness pay will rank as preferential creditors in the government's emergency insolvency bill amendment to be discussed in the Commons on Monday.

According to a draft circulated yesterday they will be included as liabilities with wages, salaries and pension contributions, to be paid first from the proceeds of companies that enter receivership or administration.

The legislation, which applies retrospectively from March 15, clarifies the difficulties raised following the Appeal Court ruling on Paramount Airways, the insolvent charter airline in administration. The judgment said that receivers and administrators would be deemed to have adopted the obligations of existing employment contracts after 14 days if they did not issue new contracts.

After two weeks of lobbying, Mr Michael Heseltine, trade and industry secretary, announced the changes on Monday and officials have been working since to introduce the legislation.

A private member's bill to amend sections of the 1986 insolvency act dealing with the valuation of assets of liquidated companies completed its passage through the Commons without debate yesterday.

The bill, sponsored by Mr John Butterfill, Conservative MP for Bournemouth West, now goes to the House of Lords.

Mayhew to slam Adams position

By Michael Cassell and David Owen

British ministers are preparing to exploit the St Patrick's Day call from President Bill Clinton for Sinn Féin and the IRA to accept the Downing Street declaration.

Sir Patrick Mayhew, the Northern Ireland secretary, is today expected to drive home the political advantage created by the US administration's decision to offer unequivocal support for the Anglo-Irish peace initiative.

In his first full-length speech since the IRA mortar attacks on Heathrow airport, Sir Patrick will directly attack Gerry Adams, Sinn Féin president, saying that he has delivered only death and threats of death. The Northern Ireland secretary will tell Conservative activists in south-east England that the attacks at Heathrow Airport have enabled people to make up their minds about the republican leader's true intentions.

Mr Clinton made it clear at a dinner in Washington on Thursday night that he would not authorise a repeat visit for Mr Adams to visit America until the IRA ended violence.

In another policy turnaround, he has dropped earlier controversial plans to send a "peace envoy" to Northern Ireland.

The president called on "all those who practice violence for political aims to lay down their arms". He urged Sinn Féin and the IRA to endorse the joint declaration as "the only way forward".

His remarks were backed up yesterday by Mr Albert Reynolds, the Irish prime minister,

Government and opposition business managers are thought to be trying to resolve a continuing dispute over membership of the Northern Ireland select committee ahead of next week's meeting of the cross-party committee of selection which will decide the MPs to sit on the new body, David Owen writes.

Labour is understood to be continuing to object to Conservative proposals which would restrict the party's membership on the 13-seat body to two MPs. The Liberal Democrats are also thought to be objecting to the proposals, under which they would have no representation on the committee at all.

MPs voted to set up the committee earlier this month. It is expected to start work shortly after Easter.

who was in Washington to join Mr Clinton for St Patrick's Day celebrations.

He said the message of US support would have an important influence on the outcome of the initiative.

Mr Reynolds said political leaders would have to "show daring as never before, in bringing about the goal of peace".

Mr Adams, who on Thursday said the US administration could play an important role in the search for peace, yesterday attacked the British government for blocking progress. He said Downing Street's inflexible and unimaginative attitude was the major obstacle to ending the current impasse.

The fight goes on, Page 9

Up to eight BZW directors break £1m earnings barrier

By Andrew Jack

Up to eight directors of Barclays de Zoete Wedd, the investment banking arm of Barclays, received remuneration of at least £1m last year, it emerged yesterday.

The highest paid was Mr David Band, chief executive, who received about £1.4m, including pension contribution, salary and substantial bonuses.

Bonus payments to directors and staff were partly routed through

techniques designed to reduce and delay tax charges, which triggered discussions last year between the company and inspectors from the Inland Revenue.

About £500,000 of Mr Band's own payments are believed to have been deferred over the next three to five years.

The revelations come in the wake of substantial bonuses paid to a number of City executives including the partners of Goldman Sachs, the private US investment bank, which

is believed to have generated pre-tax profits of \$2.7bn (£1.84bn) last year. BZW's substantial payments reflect the company's success in generating profits of £501m last year, which has led to more than 6,000 employees in the company sharing bonuses totalling £100m.

Some of the details of the remuneration are revealed in the 20-F form which has just been filed with the US Securities and Exchange Commission. However, BZW refused to comment on the

figures or methods of payment. Leading tax experts said yesterday that a number of merchant banks and other companies have used tax avoidance and deferral techniques in spite of efforts by the Revenue to clamp down since the last Budget.

Ms Moira Elms, a tax partner with Coopers & Lybrand, said that employers are still able to pay bonuses in ways which avoid National Insurance Contributions, while income tax owed by their staff must always be paid but

can be substantially delayed. One approach is to pay the bonuses to an insurance company, which issues life insurance policies with very short-term maturities.

She said she had heard of other techniques including the use of schemes operated by specialist consultancies which provided bonuses through fine wines, diamonds and "bonus bonds", or vouchers redeemable at retail outlets.

These come outside the definition of earnings as defined for the pur-

pose of National Insurance Contributions. She said that the way in which bonuses are received by staff can defer their income tax liability for up to 18 months.

"There are still some loopholes which we will tell our clients about," she said. "But we warn that they will be closely scrutinised by the Revenue and are only worth doing if they are very carefully structured and there are significant numbers of employees or sizes of bonuses at stake."

Mirror cleared to buy Independent

By Raymond Snoddy

The consortium backed by Mirror Group Newspapers was yesterday given government approval to take over Newspaper Publishing, owner of The Independent and the Independent on Sunday.

Mr Michael Heseltine, trade and industry secretary, decided not to refer the deal to the Monopolies and Mergers Commission on the grounds that the papers "are not economic as going concerns" and there was a case for urgency.

Unless there is a serious financial threat to the existence of a title an MMC reference is usually required when the combined circulation of newspapers involved in takeovers is more than 500,000 a day.

Mr Heseltine did not, as many expected, accompany his permission with conditions. He said: "I have concluded

that the public interest does not require me to stipulate conditions."

Mr David Montgomery, chief executive of MGN, emphasised that guarantees of editorial independence were "enshrined in print in the consortium agreements and we are bound by them."

Mr Heseltine rejected the views of 99 MPs who signed an early day motion arguing that as an absolute minimum conditions should be imposed to protect the editorial independence of The Independent.

The Commons trade and industry committee is expected to consider on Wednesday whether to seek an inquiry into the issue.

Journalists at the two loss-making newspapers asked for the reference to the MMC and Mr Tony O'Reilly's Independent Newspapers group of Ireland, the largest shareholder in Newspaper Publishing at

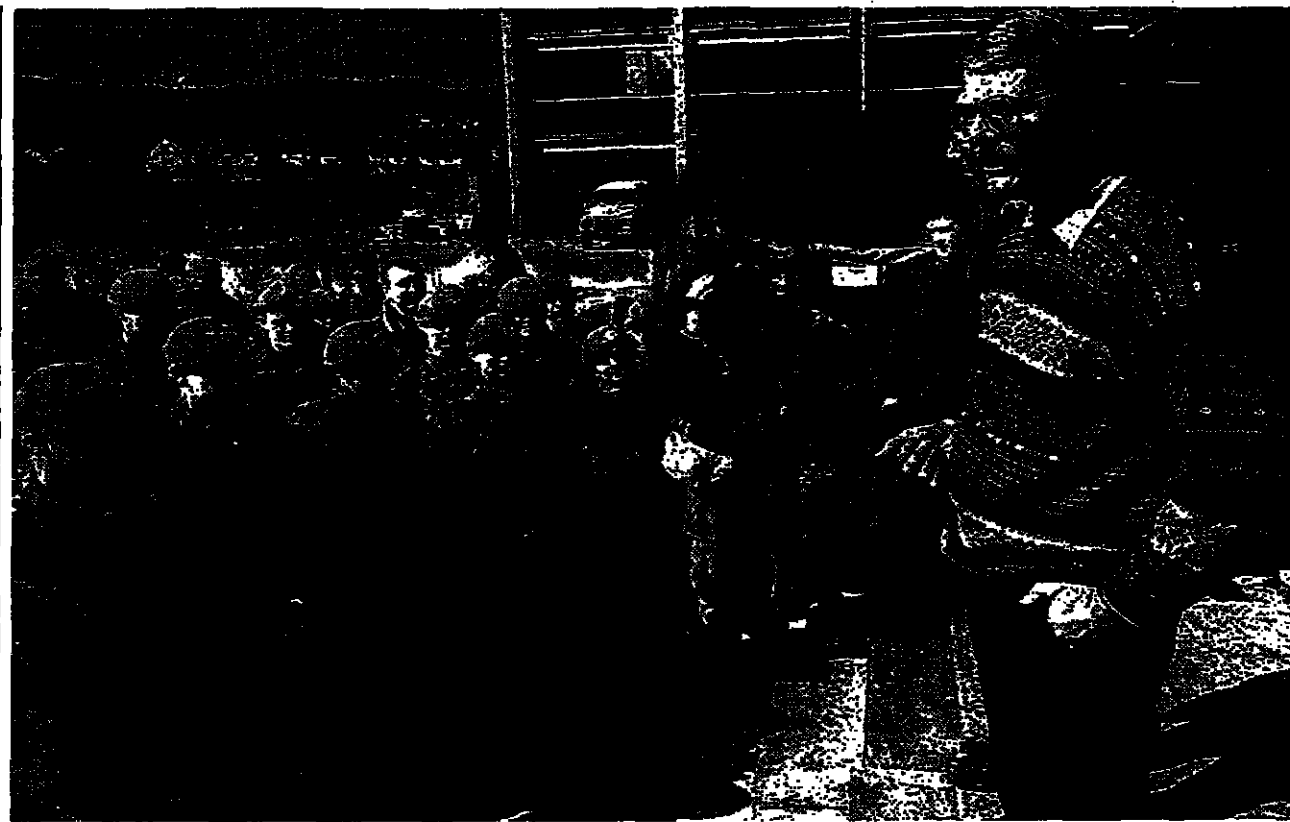
29.9 per cent, wanted conditions to be imposed. Mr Heseltine also cleared its stake.

The consortium, whose other members are a group of founders led by Mr Andreas Whitlam Smith and newspaper groups El País of Spain and La Repubblica of Italy, will press ahead with the reorganisation of Newspaper Publishing.

MGN will become responsible for running The Independent apart from the editorial department. The Independent will join the MGN titles in the Canary Wharf tower in London's Docklands in the next two months.

Apart from the reorganisation as much as £30m may have to be put into the company to improve editorial content and increase promotion.

Mr Whitlam Smith will be chairman and editor-in-chief. There are no plans to offer board representation to Mr O'Reilly's group.



John Major addressing troops yesterday at a UN base in Bosnia. He told them that the chances for real peace had improved, indicating that more British troops may be needed, and he called on other countries for reinforcements.

Mr Mole wants to bury TV diggers

By Raymond Snoddy

Mr Terry Cohn is trying to become a mole in the multi-million pound cable television industry.

His aim is to penetrate the cable companies and persuade them to stop digging up the streets when they lay their cable networks, often leaving unsightly "scars" behind.

His interest however is more to do with business than the urban environment. Mr Cohn is managing director of Powermole International, a company that manages to lay cables and pipes without having to dig up the streets.

"The need for trenching is a thing of the past. The alternative is not only quicker but significantly cheaper," Mr Cohn said yesterday.

The moles, already at work for British Gas, are pneumatically powered. A piston impacts against an anvil in front of the casing and propels the mole through the ground, compacting the earth as it goes. The mole, Mr Cohn says, can construct a 100 metre hole in a single stretch travelling at the rate of one metre a minute.

A cable can then either be inserted in the hole or the mole can pull the cable through as it goes.

"I am not sure why the cable industry has been hesitant to use moles rather than trenching," said Mr Cohn, pointing out that moles were used to build cable networks in both France and Germany. He hopes to be able to demonstrate his British-made machines - which cost between £5,000 and £10,000 - to the cable industry.

Yesterday, Mr Cohn staged a demonstration for senior British Gas engineers at Sittingbourne, Kent.

The mole went into an old cast iron gas pipe, crushing it as it went while at the same time pulling a new pipe behind it. Powermole International hopes it will finally make a similar impact on the cable industry.

Pressure for move on Tube lease plan

By Charles Batchelor and David Owen

A 75-strong group of London companies yesterday launched a campaign to persuade the Treasury to approve a £740m leasing deal for new trains on London Underground's Northern Line.

As they did so Mr Michael Portillo, chief secretary to the Treasury and the Conservative party's local election campaign co-ordinator for London, tried to pass blame for uncertainty about the plans to London Underground's management.

He said the government had not yet taken a view on the proposal being promoted by ABB Transportation, a rolling stock manufacturer.

Mr Steven Norris, transport minister, had told MPs that a decision on the scheme could come within days.

Derby-based ABB Transportation has been negotiating with London Underground for the past five months to secure a 20-year deal to build, maintain and operate the rolling stock. The trains would cost £440m with a 20-year maintenance deal worth another £300m.

The Northern Line Coalition, co-ordinated by London First, a business initiative to promote the capital, put its weight behind that of Tory MPs whose constituencies border the line.

Pressure for more flexibility on the terms of its private finance initiative have also come from the leasing industry. Mr Tony Jukes, managing director of Hill Samuel Asset Finance, said one way to break the log-jam would be for the Treasury to ease the terms of leasing deals progressively to allow the financial groups involved to gain experience of the rolling stock market.

"At the moment they are asking us to make too much of a leap," he said.

The issue has assumed a high profile in the approach to local elections in May - with the government bracing itself for heavy losses in outer London.

Mr Portillo told reporters that London Underground was free to open a case to £1.5bn it was due to receive from the government over the next three years on new Northern Line trains but did not consider the investment enough of a priority to do so.

Fears over opencast guidance

By Michael Smith

Government draft guidance on opencast coal mining is likely to perpetuate the practice in areas where it is unacceptable to local communities, the Coalfield Communities Campaign pressure group said yesterday.

According to a campaign report, the government draft Mineral Planning Guidance 3 fails to give local councils adequate powers to deal with the

"flood" of opencast proposals likely to follow privatisation of the coal industry.

It describes as unworkable the proposal that local councils should identify in advance the areas where opencasting could take place.

The campaign says the guidance gives no encouragement to local authorities to negotiate community benefits as compensation to residents who are affected by opencast sites.

The campaign also says that the new guidance "still introduces 'national interest' considerations in favour of opencasting". This, it says, should be deleted to avoid bias in considering opencast proposals.

The Department of the Environment said the new guidance would introduce a more environmentally conscious regime than its predecessor. It welcomed the campaign's contribution to the consultation.

Under the previous version of the guidance, issued in 1988, local councils have found it extremely difficult to resist opencast proposals that cause what they consider to be unacceptable environmental damage or nuisance to residents.

The Coalfield Communities Campaign says local authority rejections of opencast proposals have been more likely to be overturned on appeal than any other form of development.

Doubt cast on book-pricing pact

By Raymond Snoddy

Booksellers will be warned next month by a leading publisher that the net book agreement, which governs the price of most books, may be unsustainable.

Mr Eddie Bell, executive chairman of HarperCollins, the publishing arm of the Murdoch media empire, will issue the

warning at the annual conference of the Booksellers Association in Jersey.

The NBA is a voluntary agreement by publishers to sell books at the recommended price and not offer discounts.

Opponents say the lack of discounts cuts the number of books sold. Supporters stress the association's role in sustaining a wide range of titles

and independent bookshops. Mr Bell, who published Lady Thatcher's autobiography, *The Downing Street Years*, emphasised yesterday that he supported the agreement and that HarperCollins would not abandon it unilaterally.

But he feared that it was becoming unsustainable because of "the massive pressure" from the growing influ-

ence of book and warehouse clubs, who are not bound by the NBA. In November, the Office of Fair Trading launched a review of the NBA to see whether it still acted in the public interest.

Reed Elsevier is the only publisher to have published all its books outside the NBA, allowing booksellers to offer discounts.

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This 1940s advertisement from the archives of the Proprietary Association of Great Britain would now be illegal because of a ban on absolute statements such as "best and safest" or suggestions that any remedy restore "health and vigour".

The association today launches its revised rules on how members are allowed to advertise products. A ban on

the use of celebrities to endorse medicines is one of the changes. Advertisements will also have to carry the words "always read the label" and the name of the medicine's active ingredient.

The association scrutinises 4,000 advertisements a year to ensure they comply with the product licence, the Medicines Act and advertising codes of practice.

Counter sales of medicines jump 14%

By Diane Summers, Marketing Correspondent

Sales of over-the-counter medicines increased last year nearly 14 per cent in value terms to £1.2bn, according to figures today from the Proprietary Association of Great Britain, the non-prescription medicines trade association.

A significant part of the growth, which was nearly 5 per cent in volume terms, was accounted for by the introduction of nicotine patches and the flu epidemic at the end of 1993, said the association.

The market for anti-smoking products was worth £53m last year - an increase of nearly 200 per cent in value terms.

Skin treatments were worth £128m, up 18 per cent. Other categories showing growth included treatments for thrush and cold sores - recent additions to the OTC market.

One significant growth area this year is likely to be indigestion remedies. Earlier this month, the decision was taken to license Tagamet and Pepcid, two powerful indigestion remedies, for OTC sale. Together they represent the most important extension of the OTC market for more than a decade.

Mersey port decision attacked

By Ian Hamilton Fazel, Northern Correspondent

Merseyside Development Corporation, a government agency, has rejected £20m plans by Mersey Docks and Harbour Company to build a floating roll-on, roll-off stage and a 27-acre freight terminal at Birkenhead to exploit growing Irish Sea trade.

The corporation has instead named London & General Property the preferred developer of 50 acres of riverside land. It proposes a £74m scheme, including a floating stage and a 15-acre freight terminal, to be run by an unnamed port operator. Its centerpiece is 27 acres of speculative long-term property development.

Mr Trevor Furlong, chief executive of Mersey Docks,

said: "It is absolutely crazy handing over workable waterfront sites for this sort of development. It will constrict expansion of the Mersey as a port. We are growing rapidly and successfully. Who knows what might be needed in 10 years' time?"

A clash is likely, with each side mobilising cross-party political support.

The dock company can stall the development as it owns part of the land London & General wants for its freight terminal - which also depends on filling in part of Wallasey Dock, over which the dock company has total control.

Mersey Docks' legal rights over part of the waterfront involved will enable it to charge another operator whatever it likes for its use.

Mersey Docks had rejected a master plan similar to London & General's as impracticable, both on its own judgment and after taking soundings with the ports of Dublin and Belfast, the other principal Irish Sea trading terminals.

The crucial piece of land involved is called Twelve Quays and is opposite Liverpool Pier Head and the Albert Dock, the development corporation's flagship waterfront tourist project in Liverpool.

The corporation has wanted a visually attractive development there and once rejected a proposal for a power station at the adjacent Morpeth Dock as unsuitable, causing the resignation from its board of Professor Patrick Minford, the economist. Two previous attempts at property development there have failed.

The dock company wants Twelve Quays as its freight terminal. London & General wants to make it into a science park for emergent technology companies, with a student village at the adjoining Morpeth Dock and a "festival or market style" retail activity.

London & General has three months to finalise plans. Mr Furlong said Mersey Docks would welcome discussions.

Mr Peter Kilfoyle, Labour MP for Liverpool Walton, said: "Merseyside Development Corporation is irrational. The dock company has revived the Mersey as a working river and to invite a London property company to develop a port facility on a promise of jam tomorrow is beyond belief. I shall be questioning the conduct of this quango in the House of Commons."

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Difficult decisions

Through the fog that obscures economic statistics, global economic recovery can now be discerned. The US recovery is already bathed in brightest daylight. That in the UK is little more than a dim glow. Even the German and French recoveries are visible to the naked eye. In the case of Japan alone does the optimist need a telescope.

In the US, the question now is how swiftly monetary policy will have to be tightened. The usual mistake is to tighten too late. Mr Alan Greenspan's slow-moving Federal Reserve is more likely to err in that direction than in the opposite one.

Last month, the Federal Reserve raised short-term rates from 3 to 3 1/2 per cent. It could hardly have done less, although even that was enough to create an earthquake in the bond markets. In recent weeks, however, revised figures have shown the economy grew at an annual rate of 7.5 per cent in the last quarter of 1993, rather than the 5.9 per cent first reported.

Data since January have also been uniformly stronger than expected. Retail spending is robust, despite a temporary dip in construction activity. Industrial production appears to be growing at an annual rate of 7.4 per cent this quarter. The jobless rate, at 6.5 per cent, is already low.

All these statistics have fed Wall Street's rumour mill, as did Mr Greenspan's surprise meeting with President Clinton yesterday. It is widely supposed that another rise in short-term interest rates will come, maybe as soon as next week's meeting of the Federal Reserve's open market committee. So, indeed, it should. What Mr Greenspan meant by his talk of pursuing a more "neutral" monetary policy is obscure. But since short-term interest rates are barely positive even now, US monetary policy clearly remains expansionary, which can hardly be justified.

Opposite position

If the US needs to tighten, France, Germany and Japan are in the opposite position. Japan's economy remains in recession, but its promised fiscal boost has fallen hostage to political strife. Meanwhile, the Bundesbank failed to take further action on Thursday, though in Germany, too, lower short-term interest rates would seem fully justified.

This is true even though evidence is emerging that France and Germany are recovering more strongly than expected. Retail sales in western Germany were 2 per cent higher in January than in the same month last year, while sales in the whole of Germany

were up 3 per cent, 2 per cent higher than in December.

The French National Institute for Statistics and Economic Studies (INSEE) predicted growth of 0.7 per cent in the French economy in the first half of 1994, up from December's forecast of 0.5 per cent. Mr Edmond Alphandery, the French economics minister, was buoyant. "Everything is going in the right direction," he exulted. "All our forecasts are being confirmed and, day after day, statistics prove the government's scenario is realistic." No less realistic, unfortunately, is INSEE's forecast that unemployment will rise to 12.7 per cent.

On the turn

These economies are on the turn, but not fast enough to prevent further increases in unemployment. It is easy to sympathise with complaints about European monetary policy from American officials at the jobs summit of the group of seven leading industrial countries in Detroit.

Just why the European recession has been so prolonged was explained by the Bundesbank's president, Mr Hans Tietmeyer. He noted this week that west German inflation was set to fall below 2 per cent. But while 3 per cent is the Bundesbank's frequently stated target, it is also lower than it has achieved over the past 35 years, except in the late 1960s and again between 1986 and 1988.

In the US, monetary policy should be tightened. In Europe and Japan, it should be loosened. UK policy-makers, by contrast, face genuinely difficult dilemmas, for interest rates are approaching the floor.

Unemployment has fallen to 2.9m, but remains 9.8 per cent of the labour force. Producer prices are up only 2.4 per cent over the year, excluding food, beverages, tobacco and petroleum, but the underlying annual increase in average earnings has risen slightly, from 3 per cent last December to 3 1/2 per cent in January. Retail sales fell 0.5 per cent in February, but are still 2.5 per cent up over the year. UK monetary policy may be eased further, but the policymakers do have to be cautious.

In deciding what to do, all the monetary authorities must take account of the global fall in bond prices, which continued this week in most markets. Only a brave central bank will lower short rates when long rates are rising. For all that, the rise in long rates does not seem driven by worrying fundamentals. With luck, the world's monetary authorities will do what is needed and the G7, as a whole, will quite soon enjoy good strong growth, with low inflation.

A senior British Telecom executive earning more than £100,000 a year might not appear to have much in common with a deputy store manager at WH Smith earning perhaps a fifth that amount. This week, though, both looked like being swept aside by the same management revolution which is brutally transforming companies across the western world.

Job cut announcements have followed a dimly regular pattern over the past few years. Arguably the significance of the latest developments - redundancy for 600 staff at WH Smith and perhaps three dozen big earners at BT - is stark evidence that both ends of the corporate hierarchy are now being squeezed.

What BT is doing so noisily is not unheard of at the top of other organisations. Since its demerger last year, ICI has reduced the number of its senior managers below board level from 112 to 90 and expects that figure to be lower by the end of the year. BT now has only 600 managers senior enough to be entitled to share options, against 1,000 three years ago, while B&T and BAT were cited this week by one management expert as businesses which have become "lean and mean at most levels".

This said, the impression remains that in the same way that some boards in the UK have avoided pay restraint by the award of big salary increases, many senior managers have so far been protected from the new realities of the executive employment market.

"When pain is inflicted, it is only natural that the people taking the decisions will leave themselves until last," observes Rupert Eales-White, principal consultant at Sundridge Park, the Kent-based management training centre.

Judging by a Mori poll published recently in the FT, more top managers fear that the day of reckoning may be at hand. Despite the fall in unemployment and signs of economic recovery, 39 per cent of those interviewed said they were "more anxious" about losing their jobs, against 28 per cent a year ago.

The revolution which may catch up with them has been under way for almost a decade, especially in the US, where radical change tends to be resisted less fiercely than in Europe. Its nature is far-reaching - transforming the way organisations do business, the way they are structured, and the relationships between managers and employees - and it is far from over.

Throughout the 20th century, large organisations have been structured on the time-hallowed military principle of "command and control". So has most management language. Top managers at "headquarters" set the "strategy", and tell their senior "subordinates" how to implement it. Strategy is then translated into "operations" by senior managers, who tell their "direct reports" in various specialist departments - or "functions" - what to do. The cascade process continues down the corporate hierarchy until the message reaches the "front line": factory workers, shop assistants and other sales staff.

The hierarchy's role in the reverse direction has been to pass intelligence back up, level by level, from the bottom and from the outside world. As the management writer Peter Drucker has said, many middle management jobs are

Bosses find it's a snip at the top

FT writers examine the management shake-up transforming western companies

really about filtering information.

The command and control model has been modified in various ways over the decades, as organisations became too large and complex to manage entirely from the top. But since the early 1980s the system has broken down under a string of pressures.

● **Cost.** Management has become unacceptably bloated, not just at head office but also at every level between it and the front line. In some companies this still means more than 10 tiers.

● **Competition/shorter product cycles.** Hierarchies have slowed down companies' speed of response. This did not matter in the 1960s, when growth was sure and predictable, and competition mainly limited to other companies from the same country, or at most the same region. Since the late 1970s, competition in one industry after another has gone rapidly international.

● **Information technology.** This has been a crucial influence, rendering many management jobs obsolete especially since the late 1980s. IT has cut the cost of automated information transfer and processing, making it possible for top management to communicate cheaply direct with the front line. It has also improved immeasurably the ability of people at every level and in every specialist department within an organisation to communicate across it, without going through department heads.

● **Horizontal structures.** The pressure for faster results has forced companies to cut the amount of vertical communication. Whole tiers of high-level committees have been replaced, usually at much lower level, by task forces and project teams spanning departmental boundaries. This "cross-functional" drive has been reinforced over the past 18 months by the fashion for "re-engineering" the processes by which organisations do their work - at least in the front line. It has also encouraged "empowerment", the word consultants and academics use to describe how companies have been trying to give more authority to employees lower down the ladder who are closer to customers and markets. In so doing, of course, they effectively by-pass tiers of middle managers and, increasingly, senior ones as well.

● **Economic recession.** All the above pressures have been reinforced by the slowdown which has gripped western economies in the early 1990s. Many of these factors lie behind WH Smith's announcement this week that it is reducing the number of management layers in its shops from four to two (thereby requiring the 600 job cuts). "Our electronic point of sale technology has meant many functions traditionally performed by staff can now be carried



out by a computer system," explained a Smith spokesman. The market was demanding better customer service from all retailers, while there had been a fundamental change in the workforce. "People want more responsibility," he claimed.

Long before the WH Smith and BT announcements were even twinkle in their chief executives' eyes, however, America's GE was demonstrating the stark reality of managerial change. Led - some would say frogmarched - by a bombastic new chief executive, Jack Welch, the company tore up its structure, shape and ways of doing business. Between his arrival in 1981 and the end of the decade, GE cut the average number of management layers between Welch and the very front

line from nine to four. Its headquarters was slashed from 2,100 people to under 1,000. The number of senior executives across the company was cut, first from 700 to 500, and since 1990 by another 100. The overall workforce has been almost halved, from 404,000 to 230,000. Yet GE's revenues have more than doubled since Welch arrived, from \$7bn to \$60bn.

For managers still inside GE, though, the real "story" is the revolution which has occurred in the relationships across and down the organisation.

Here, the most important concept is what used to be described - in true military manner - as "the span of control": the number of people who reported to each manager. When Welch arrived, GE was run-

ning at a conventional five or six per manager. By the late 1980s its average had doubled, and is now at about 14 - with some units pushing 25 or more.

With that change has come a transformation in the way employees relate to "their" managers, and in the nature of the management process itself. Since the only way for a single person to "manage" two dozen people is to allow them more independence, management at GE has changed from being a "command and control" function to one of mainly "coaching" people, and - providing their type of task allows it - unleashing their initiative as fully as possible.

Several GE factories now have only one level of management, and a few claim to have none at all - just a collection of self-managing work teams which, within prescribed limits, make all their own decisions, from recruitment to purchasing and production levels.

The white collar revolution in the UK and the rest of Europe has yet to have such far-reaching consequences in most organisations, notably at the top. But more companies besides BT - Roger Young of the Institute of Management cites British Gas and Unilever - are starting to look at what he calls "the big numbers".

Cost is often the most visible pressure, and those who run "command and control" organisations, where middle management culling is almost complete, appear most vulnerable.

Over the past five years, for example, BT has shed 95,000 people, in one year alone losing almost 6,000 middle managers. It has reduced the numbers of levels in the company from 12 to six.

Its message is that the old guard, who grew up in the Civil Service jobs-for-life days are no longer wanted. "Many of them have been in the company for the whole of their career. They are about ready to move on or out," says Peter Archer, director of employment relations at BT.

The effect of this new slimming-down at the top is evident at the outplacement agencies, which help find jobs for the cast-aside managers. "We are getting a great many more senior executives than two to three years ago," says Raymond Hudson of Drake Beam Morin. You notice the difference, he says, just by walking through the door: now the DBM offices are filled with senior clients each occupying their own private rooms, whereas a few years ago, middle managers were in the majority, all looking for jobs in a big open-plan space.

The ones who can adapt to newly streamlined, process-driven structures may survive; those stuck in the vertical past will almost certainly not. The grim truth for many is that economic recovery - however strong - will not provide a solution. Part-time employment may be growing and many small businesses expanding, but senior executives do not necessarily have the right skills to take advantage of such opportunities.

As one redundant senior executive from the electronics industry observed this week: "The market is going to get much more aggressive. People are no longer just relying on headhunters and the appointments columns of newspapers. They are very deliberately targeting companies and positions where they think their skills can be useful, taking a pro-active approach."

MAN IN THE NEWS: Rudolf Scharping

For a policy with whiskers

Ten days ago Mr Rudolf Scharping, leader of Germany's opposition Social Democratic Party (SPD), dragged himself from his sick-bed to return, still visibly shivering and pale, to the hustings.

It was the last week of electioneering for a new state parliament in Lower Saxony, the first poll of no fewer than 19 in Germany this year, and he was clearly not going to miss it for a bad dose of gastric flu.

This dogged determination provided a graphic illustration of the way this serious, rather didactic career politician is tackling the election marathon ahead. He looked dreadful, but his audiences were delighted that he was there at all, and he managed to tell a few jokes.

His reward was a good victory for the SPD, which gained an absolute majority in the state - if only by one seat - and saw the rival Christian Democratic Union of Chancellor Helmut Kohl slump to its worst result since 1939.

It was not really a victory for Rudolf Scharping. The success was due more to the wily campaigning of Mr Gerhard Schröder, his arch-rival within the SPD, currently state premier in Lower Saxony, and the man he defeated for the party leadership last year. But by turning out to give him support, Mr Scharping made sure that some of the glory rubbed off on himself.

More importantly, perhaps, he managed to underline his success in forging a common front in the SPD, whose internal divisions and open arguments have undermined each previous attempt to recapture power in Bonn.

As far as public opinion is concerned, the election result was an essential first step for the SPD on the long march towards its ultimate

ambition: victory for Scharping against Kohl in the general election on October 16, and a return to power for the party after 12 years in the wilderness. For the first time, the polls are suggesting that a clear majority - more than 70 per cent - expects a change in power.

Yesterday, Mr Scharping took a second big step towards that goal with the publication of the party's draft government programme. The document represents a clear victory for his middle-of-the-road agenda: it is deliberately cautious, low-key, and unrevolutionary, a studied attempt to reconcile the party's traditional commitment to social justice, full employment, and strict environmental standards, with a balanced budget and strict fiscal responsibility. It is above all an attempt to prove that the party is "fit for government".

"It is not a list of pious wishes, but a practical government programme," said Mr Günter Verheugen, Mr Scharping's right-hand man as party secretary-general.

When Mr Scharping, then simply the state premier in the Rhineland-Palatinate, was elected party leader, one senior SPD official was asked why he was chosen. "Because we Germans like someone who is worthy and safe," he replied.

"He looks just like a typical scout master: trustworthy and sympathetic," according to one business observer. "The question now is: do we think a good scout master would make a good chancellor?"

He is not the sort of person who sets his audiences alight, or has them rolling in the aisles. But he has abandoned written texts for his speeches, and makes them from a handful of notes. He has a remarkable memory, according to close advisers, and can keep a whole



mass of figures in his head. That may be part of his problem, for he still tends to blind his audiences with science. But he is also starting to enjoy his role of the modern, youthful challenger - he is 46 - taunting the old warhorse, 63-year-old Mr Kohl.

His favourite story of the moment tells of a broadcast he had time to watch two weeks ago, lying on his sick-bed, when the chancellor was answering callers' questions.

"This man rang in to ask him what he was doing to promote investment in the new multi-media super-highways, the leading edge of new technology. But the chancellor thought he was talking about the autobahn system, and started banging on about traffic jams and investment in the roads," Mr Scharping told a delighted audience in Lower Saxony. "How on earth can you trust a man who doesn't know the difference?"

The SPD leader's greatest success so far has been in stopping the

squabbling inside his own party. "For the first time in 12 years, the SPD has got a proper party leader," according to one rival CDU official. From the moment he was formally elected last June, after a grass-roots ballot of the party membership, he moved swiftly and methodically to settle potentially divisive issues.

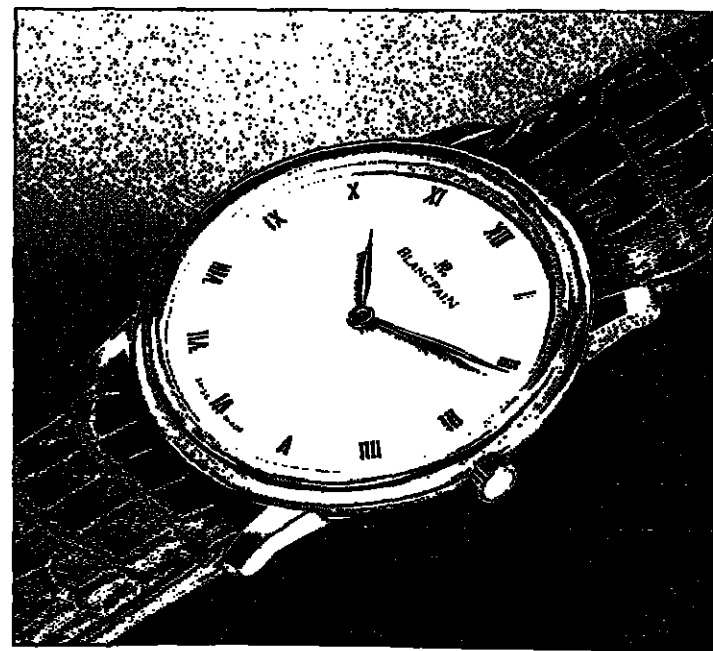
He rapidly co-opted his other potential rival, Mr Oskar Lafontaine, by giving him responsibility for the whole field of economic and financial policy. Between the two of them, they have forged a policy which combines tax reform, to shift the burden from the lower-paid to the higher income groups, with strict fiscal discipline. Mr Lafontaine has been forced to postpone his plans for a headline-catching environmental tax reform, to concentrate instead on the absolute priority of job creation. Mr Scharping does not want to scare off the business lobby.

By shifting the party to the right, he has set his face against a possible coalition with the Green party after the October election - although the latest opinion polls suggest they could have a clear majority between them. "The SPD will not be a partner in a policy which suggests petrol prices should be raised to DM5 (a fourfold increase), or the Bundeswehr should be pulled out of Nato," he said yesterday, in a firm rejection of Green party policies.

The challenge he now faces is keeping his party in line, with Mr Kohl ready to exploit the slightest sign of dissent. The CDU last month launched a big poster campaign, featuring a huge grainy close-up of the chancellor's grinning, clean-shaven face, and the slogan: "For a policy without whiskers."

It was intended to show that the neatly bearded Scharping is merely peddling the same old policies of a tired opposition. It could yet backfire. It certainly shows that the chancellor's advisers are taking their challenger seriously.

Quentin Peel

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As former IRA volunteers, Shane O'Doherty and Tommy McKearney were ready to kill for their cause and were incarcerated for their crimes. Now, they are united in wanting an end to armed struggle but adamant that the British and Irish governments' Christmas peace initiative will not deliver it.

Both men, each leavened by long spells in jail, are thoughtful, articulate and confound the caricature of block-headed warmongers painted by their opponents. Though they have left the IRA, their republican sympathies and some of their contacts survive. They dismiss as fanciful suggestions that 200 years of physical struggle against British "occupation" is about to end.

Neither believes the political initiative launched by London and Dublin – despite high expectations of a historic breakthrough and the peace overtures of republican party Sinn Féin – has shifted the mind-set of a paramilitary organisation hell-bent on a united Ireland.

Mr O'Doherty was the IRA's chief bomb maker in Londonderry in the early 1970s before mounting a letter bomb campaign in 1972. His one-man war maimed and injured 12 people – Mr Reginald Maudling, then Home Secretary among them. Though he killed nobody he knew he might.

He received 30 life sentences at the Old Bailey in 1976 and was freed in 1990. He is now, at 39, a pacifist, and has accused the IRA of dishonour and cowardice. Last year, he completed an English degree at Dublin University and lives in the city, regularly returning to the north to see his mother.

He deeply regrets a past which provides him with a special insight into the present state of mind of hard-line republicans and into what might lie ahead. "It was clear from the day it was published that the Downing Street declaration was going nowhere."

The declaration, signed by Mr John Major and Irish prime minister Mr Albert Reynolds, tried to square the aspirations of Northern Ireland's two main communities by offering rights of self-determination but guaranteeing Unionists that Northern Ireland would remain part of the UK as long as they wished.

"We've put sticking plasters over Irish politics for centuries and once again the fundamental issues are being ducked. You cannot have two governments without proper constitu-

Weary, wiser, but the fight goes on

Michael Cassell tests the depth of the IRA's commitment to its campaign of violence and asks when it might end

encies in the north dictating solutions to a hardened, embittered double minority," says Mr O'Doherty.

So why should the IRA be able to? He concedes some IRA men have now reluctantly concluded – heavy until recently – that there will eventually have to be talks with the enemy. "But many others still don't see the British deserving talks, they see them deserving bombs, no-warning bombs." The impact of recent attacks on the mainland suggests, "the probability is that a greater part of the campaign will move to Britain."

Mr McKearney, whose three brothers have died in terrorist violence, is no more optimistic about an end to IRA violence. He came out of jail in 1993 after serving 15 years for the murder of a part-time soldier in the Ulster Defence Regiment, part of the UK army.

Now he is home again, living with his welcoming, elderly parents in a neat bungalow on a hillside in South Tyrone. He says the Downing Street declaration – the very title calculated, he says, to make republicans wince – has altered nothing. "This is not a sea-change. This is exactly where we were before. It is the status quo and I resent both governments suggesting anyone who rejects it must be some form of lunatic."

He adds: "The Downing Street document was a *fait accompli* guaranteeing the union for ever and a day. Forty per cent of those in the north are annexed into the UK and don't want a UK connection while 50 per cent reject Dublin. We need new thinking to produce a mutually acceptable compromise."

But if new thinking is what is needed, more violence may be all that is on offer. "The question the IRA asks itself is how does it keep the issue in front of the British until proper negotiations take place?"



Armed force: more mortars and bullets may be all the IRA has to offer

Bombs and bullets will not resolve the conflict but have kept the organisation in the picture.

Both men quickly expose the yawning gap in understanding between republicans and British governments of all persuasions which has fuelled the fight and in 25 years prematurely terminated 3,000 lives.

London and Dublin win almost universal domestic and international support for insisting upon a permanent cessation of violence before talks. "The IRA is expected to trust perfidious Albion? It is in any case, arrogant to suggest the violence and terrorism is one-sided, that the IRA is the offender and the British are peace-makers," says Mr O'Doherty, who joined the IRA in protest at the 1972 Bloody Sunday killings, when 15 civilians were shot dead by British troops.

"Britain tries to hijack the moral high ground as though it has nothing to answer for. It has injured people on the streets, immunised its own murderers from prosecution and com-

mitted terrible injustices.

"There are three armed struggles in Northern Ireland involving the IRA, the loyalist paramilitaries and the British. We are all covered in blood and all carry the responsibility for the mess and for clearing it up. The IRA will not lay down its weaponry and put a question-mark over the moral value of its struggle and the sacrifices of its volunteers on the basis of the deal on offer."

Both men believe the British government will swing on the hook of hypocrisy in its refusal to talk. "They talked to the IRA during two ceasefires in 1972 and 1974, they have been talking again in the last three years and they talked during and after the Warrington bombs," says Mr O'Doherty.

"We all know lines of communication have been open since the hunger strikes. Which is the principle at stake that has not already been breached?" asks Mr McKearney.

So what must happen, in the eyes of hardline republicans, if the anguish is ever to end? The British government will first, says Mr O'Doherty, be expected to show some humility in a declaration repenting for "centuries of injustice". At the same time, he believes, the IRA will not countenance an end to armed struggle without the repatriation and eventual release of prisoners to whom it is unwaveringly loyal.

The British government has insisted there can be no amnesty for people who are not political prisoners but simply guilty of vicious crimes. According to Mr O'Doherty, "The IRA will not have the British talk about a peace which entails the continuing retention of IRA prisoners. If the provisionals held hostages in return, would the British claim the same conditions existed for a settlement?"

Both men agree that the big failure in republican thinking is to see the British government as the only key to peace. A million unionists, acknowledges Mr O'Doherty, will not be suppressed, and they will have to be courted in the same way the British government must deal with the IRA.

Unionists have to be reassured that, in any new arrangement, their constitutional rights are guaranteed, says Mr McKearney. He suggests "something like a confederation or a unitary state or a canton which breaks the connection with the UK but does not necessarily involve partitioning".

Such language renders unionists apologetic and London and Dublin remain unmoved. The governments insist on a ceasefire, underwrite the democratic will of the majority and restate their commitment to a peace initiative which, in trying to be all things to all people, threatens to satisfy none.

The history of Northern Ireland, however, is replete with surprising ironies as well as tragedy. Both Mr McKearney and Mr O'Doherty spent several years in the same jail as the loyalist paramilitaries they were pledged to kill. They talked and mixed and came to see other side's point of view. They even struck up friendships.

The trick is to repeat it in the world outside.

The IRA will not lay down arms and question the moral value of its struggle on the basis of this offer

However, is replete with surprising ironies as well as tragedy. Both Mr McKearney and Mr O'Doherty spent several years in the same jail as the loyalist paramilitaries they were pledged to kill. They talked and mixed and came to see other side's point of view. They even struck up friendships.

A world of difference in a grain of rice

Japan thinks its rice is nicest, even when scarce, says Emiko Terazono

Don't worry, it's Japanese rice." The sushi chef behind the white cedar counter gave a reassuring smile as he placed a slice of tuna on a small ball of rice. "We've stocked up so we won't have to use foreign rice for a while," he said.

Japan is in the middle of a rice crisis. Last year's unusually cold summer and a spate of typhoons resulted in the worst harvest in postwar history. Japan is not due officially to open its rice market to imports, as agreed under the General Agreement on Tariffs and Trade, until next year. But the government estimates 2.2m tonnes will have to be imported this year.

Bureaucratic delays have meant stores have yet to receive such emergency supplies. But although bags of grain have gone from the supermarket shelves, many restaurateurs and retailers have managed to squirrel away rice supplies.

The sushi chef looked affronted at the suggestion that the balls of rice he put on an assorted raw fish platter were made from a blend of emergency imports and home-grown rice.

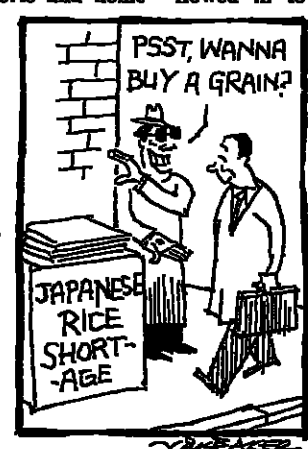
"Some sushi shops without domestic supply routes have closed," he said. It would be impossible to make sushi with imported rice, he said, because rice accounts for 70 per cent of the dish's taste. Such is Japan's sensitivity about rice that Mr Ejiri Hata, the agricultural minister, had to apologise to the public this month for the breakdown in the state-controlled rice market. He announced the government would speed up the sale of an additional 30,000 tonnes of domestic rice to wholesalers. But he risked exacerbating the ire of the Japanese by trying to force retailers and wholesalers to blend all rice with at least some foreign imports.

In parliament, Mr Morihiro Hosokawa, the prime minister, has been blamed by the opposition Liberal Democratic party for failing to avert the shortage. The political row has highlighted the sanctity of home-grown rice, the cultivation and harvesting of which remain at the roots of Japanese traditions and rituals. Whereas aircraft have long been used to sow rice seeds in the US, until recently rice seedlings in Japan were hand planted. Rice-planting festivals are still held in June, including at the imperial palace in Tokyo, where a barefooted Emperor Akishito plants seedlings in his private rice paddy.

"What we are seeing is the emergence of the endgame in which Croatia and Serbia, in a strange and tragic twist of history, will get what they originally set out to attain: a Greater Croatia and a Greater Serbia, with the Moslems destined to live with Croatia, the lesser of the two devils."

In autumn, harvested rice is offered to the gods, and sushi chefs refer to their rice as "sushi", a shortened version of Sanskrit *sarira*, meaning, "the bones of Buddha".

But the attachment to home-grown rice is not just spiritual. Consumers prefer Japanese rice because it is regarded as better tasting and stickier than foreign imports.



The Japanese like a sweeter and heavier grain than can, for instance, be moulded into balls.

Some are put off by the sight of long foreign grains. "I know I shouldn't be prejudiced and at least I should try it, but I feel more comfortable buying and eating domestic rice," said Mrs Miko Ichikawa, a 40-year-old housewife.

Among the old, with wartime memories, the latest shortages have revived a hoarding instinct: "Everyone who has experienced the war keeps extra bags of rice just in case," said 78-year-old Mrs Kyoko Kimura. At the same time, some consumer groups have claimed foreign rice may be unsafe because of the use of post-harvest fungicides and pesticides. Press reports of dead mice, cockroaches, or cigarette butts found in foreign rice have added to such fears.

The high demand for home-grown rice together with the restricted supply have opened opportunities for retailers – as well as racketeers – to increase profit margins. Of the 7.8m tonnes of rice harvested last autumn, some 2m to 3m tonnes are estimated to have flowed in to the black market's complicated distribution web and to have been bought by wholesalers and retailers. A black market in rice is not new, but this year it has been particularly buoyant.

A 10 kilogramme bag of prime grade rice which cost ¥8,000 on the black market last year, has nearly doubled in price while some retailers are only selling to favoured customers.

The government is belatedly trying to calm the market. Leading cabinet members, many of whom had belonged to the lobby that opposed the opening of the Japanese rice market during the Uruguay Round of trade talks, recently tucked into foreign rice in front of television cameras to try to persuade the country that it was at least viable.

But emergency imports of blended rice have been hard to obtain in recent weeks. Much has been delayed in the ports due to vigorous and time-consuming customs inspections by officials unused to rice being imported. Consumers may have to wait another month for a steady flow of blended rice to hit the shops.

Even then it is far from clear if many will eat it. Domestic farmers have tried to take advantage of the public debate over rice imports to stress the superiority of the home-grown product and re-emphasise their role as keepers of Japanese culture.

However, such attempts to instill in the younger generation the rice culture revered by their forebears may have fallen on deaf ears. Tastes are changing and for many modern Japanese, rice has become just another commodity amid the diversity of foods available. Sitting along the sushi counter, a mother tried to urge her sulking son to eat the morsels of raw prawns and rice in front of him. "I want McDonald's," he wailed.

Judy Dempsey explains why hopes are rising for peace in Bosnia Endgame at the beginning

such an even division of carrots and sticks.

The predominantly Moslem Bosnian government signed on as well. Mr Haris Silajdzic, prime minister, believes Washington will supply funds to underpin the economic viability of the federation, as well as preserving its territorial integrity.

"This federation is a kind of marriage of convenience. Neither side has won the war. They believe peace is in their interests," said Mr Dick.

Implementation of the deal will require three things: substantial extra numbers of United Nations peacekeepers, above the 7,000 in place; consensus on the federation's boundaries by the Croats and Moslems; and, crucially, agreement to any redefined boundaries by the third participants in the war, the Bosnian Serbs.

This latter requirement could undermine the deal fatally, because the Bosnian Serbs and their patron President Slobodan Milosevic of Serbia control 70 per cent of Bosnia's territory and can consolidate their grip over the gains. A Pentagon official said: "The administration is giving the semblance of preserving Bosnia. But we know we are witnessing a sophisticated division of the Bosnian republic between Croatia and Serbia."

Mr Redmon, together with Mr Vitaly Churkin, Russia's special envoy to the region, now have to turn their atten-

tion to wooing Serbia, again with a combination of carrots and sticks.

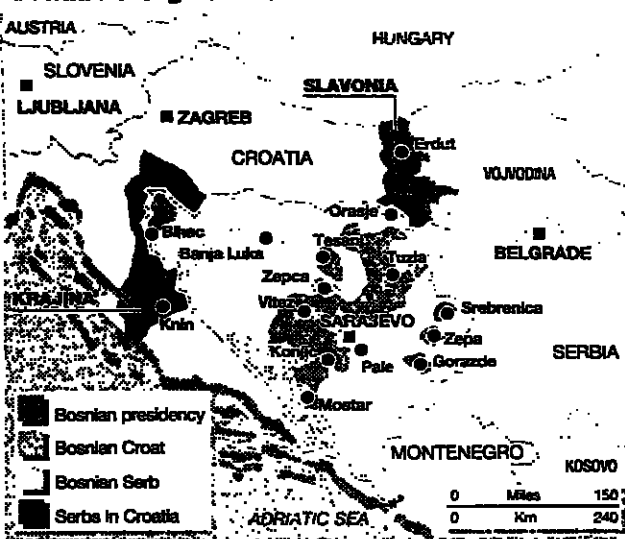
The threat of air strikes, which forced Bosnian Serbs to withdraw their heavy weapons from around the besieged city of Sarajevo, remains a powerful stick.

But increasingly, US and Russian officials are beginning to talk about turning the stick of sanctions against the Serbian state – in place since June 1992 – into a carrot by promising gradually to lift them.

Mr Stephen Oxman, the deputy US secretary of state, this week said any moves to ease sanctions would be linked to "positive steps by the Serbs in the negotiating process". The ball is now in Serbia's court.

After waging a two-year war in the former Yugoslavia to defend Serbs living outside Serbia, Mr Milosevic must decide if now is the time to sue for peace even if it means turning his back on some of the Serbs outside Serbia.

Bosnia-Herzegovina: the battle of the boundaries



Yesterday, Mr Washington agreement helps him. He could argue that, since the Bosnian Croat/Moslem agreement paves the way for an eventual creation of a Greater Croatia, the Bosnian Serbs in eastern Bosnia should be allowed to form a

similar loose union with Serbia proper. Such a union would require the Bosnian Serbs to give up some of the territory they hold in Bosnia, as well as to reach agreement on the status of the Moslem-held enclaves of Gorazde, Srebrenica and Zepa in eastern Bosnia. Mr Milosevic might be able to persuade the Bosnian Serbs to cede some land to the Moslems and thereby convince the US to accept a closer relationship between eastern Bosnia and Serbia. The price for any concessions would be the removal of sanctions.

But compromises in eastern Bosnia constitute only one element of a potential overall settlement in the region. The linchpin is a peace treaty between Croatia and Serbia. This, in turn, would be possible if Belgrade and Zagreb could agree on the status of Krajina, in southwestern Croatia.

Nearly 350,000 Serbs live in Krajina on rugged limestone land which has no economic worth. But its strategic location is vital: it splits Croatia in half. Reasserting control over the territory is crucial for Mr Tudjman. Without it, Croatia remains divided. The question is whether Mr Milosevic is prepared to turn his back on the Krajina Serbs whom he used in 1991 to foment war in Croatia.

"At one point, both Croatia and Serbia will have to trade land for peace," said a UN official involved in the Geneva peace talks on the former Yugoslavia.

A deal would involve Mr Tudjman granting extensive autonomy to the nationalist Krajina Serbs to persuade them to stay in Croatia. In return, he might have to give up a swathe of Serb-held territory in Slavonia, eastern Croatia, which forms a natural link to Serbia proper.

Mr Tudjman might be able to justify this compromise to the Croats on the grounds that he would have won control of Krajina, and a potentially Serb-led republic through an alliance with the new federation of Bosnian Croats and Moslems. Such an arrangement could be rewarded with the carrot of economic aid from the west.

Malaysian affair: insensitivity and mistaken beliefs

From Mr Jeffrey Lenton.

Sir, As managing and marketing director of a small UK consulting company which exports technology and services around the world (including south-east Asia), I have followed the UK press coverage of the Malaysian Pergau Dam affair with a passionate interest.

I never cease to be amazed at our (the West's) ability to report and, in effect, pass judgement on the rest of the world's social and business cultures. In SE Asia, these demand a high degree of sensitivity and consideration and go hand-in-hand in all walks of life, but this is especially so in any international business negotiations. Clumsy comment, whether true or false can (as proven with the press revelations of the Pergau Dam affair) result in significant and long lasting damage to international business for UK plc.

Sir Edward Heath, appearing

on a recent "Frost on Sunday" interview, succinctly summed up the situation: "With freedom comes responsibility" – a profound and accurate comment which applies equally to our valued free press as it does to society as a whole.

Mr Andrew Neil's Sunday Times coverage of the Pergau Dam affair has certainly increased the reader's awareness and has opened up a wound in the side of British politicians.

Meanwhile, the rest of the world is rubbing its hands in eager anticipation of securing business which could have come to UK plc.

If UK companies are to compete for and secure international business, helping exports, increasing employment opportunities and generating profits (the tax on which helps to support our national operating overheads – irrespective of the ruling political party), UK plc needs construc-

tive not destructive support from all quarters – including the press.

The effects resulting from the handling of this affair have not been restricted to Malaysia; already other business associates of ours in SE Asia are concerned that Britain's free press can say what it likes without being concerned about trade repercussions.

The point is that our sensitive existing and potential business customers perceive it this way and this introduces yet another obstacle in securing new export business.

Jeffrey Lenton, Management Sciences (UK), 5 The Manor Grove Centre, 5 Village Farm Road, Farnham, Surrey GU14 7UH

From Mr A Kadir Shariff, Sir, Dr Mahathir Bin Mohamad's letter (March 17) clearly puts the record straight on the Pergau Dam project. A soft loan granted by the British government to Malaysia has

been misinterpreted by some sections of the press as an outright grant at the expense of the British public. The failure of the British government to intervene and to tell the truth has aggravated the situation.

Malaysia may be harsh in its action on the trade embargo. But what alternative course is there for a small nation like Malaysia whose views are not heard and published in the so-called free press? The press in Britain should also learn to tell the truth.

A Kadir Shariff, 19 Montpelier Square, London SW7 1JR

From Mr Sikander Latif, Sir, Your leader, "Malaysian moves" (March 18), accuses that country's government of attempting to rein in the freedom of the British press.

There is a mistaken belief nurtured by the western media that any reporting against the government of the day of former colonies goes down well with the natives.

Alas, were it so simple.

While welcoming any freedom of expression, the public of such countries also recalls the disdain which was shown by the same western media during their freedom struggle and their cynicism is only heightened by actions such as Star TV's desire to abandon the BBC World Service television news to China in its higher commercial interest ("Murdoch plans to axe BBC news from China satellite service", March 18).

On top of the British media tolerating such double standards, your suggestion to invoke an appeal to the EU and General Agreement on Tariffs and Trade to teach Malaysia a lesson belittles the traditions of a once great trading nation. For it is about trade is it not? Sikander Latif, 72 Kingston House South, Elmstone Garden, London SW7 1NG

From Ms Jessica von Boventer, Sir, The continuing furore

ment which can then get on more effectively with its genuine *raison d'être*. Jessica von Boventer, Frenchgrass House, 9 St Margaret's Villas, Bradford on Avon, Wiltshire BA15 1DU

From Mr Karl A Ziegler, Sir, Aside from his personal attacks on Andrew Neil and his *cri-de-coeur* of a "northern bias against non-whites", Dr Mahathir's new famous letter does point out that Britain's soft loans and aid-trade provisions are only marginally more attractive than others available to Third World rulers.

How useful. The implication is clear. Regardless of the innate appropriateness of projects, on financial, environmental or social grounds, the north continues to sell emerging economies a bill of goods, which are primarily in the north's financial self-interest.

Should the soft financing be particularly attractive and possibly allow leeway for front-end overrides, payable to recipient country decision-makers, even totally inappropriate projects have a greater chance of acceptance.

Through Gatt, the OECD, the

EU and the multilateral agencies, greater monitoring and disciplines are needed, to ensure that a level playing field is created for only truly viable projects to proceed. Should dams tilt up before debt servicing is complete, it is generally from the hide of a nation's poorest citizens that final debt servicing is provided.

In such an environment, world business leaders must know that follow-up contracts become less likely. Karl A Ziegler, director, Centre for Accountability and Debt Relief, 6 Broadbrook House, Studio Place, Eimerton Street, London SW1X 8EL

From Mr Adam Wake, Sir, Judging by the rather cloudy letter from the Malaysian prime minister it would seem that Dr Mahathir Mohamad is suffering under the somewhat undesirable burden that is commonly referred to as an inferiority complex. In line with the times, perhaps we could offer an even softer loan for a course of psychotherapy?

Adam Wake, 28 Gunterstone Road, London W14 9BU

COMPANY NEWS: UK

£6m fall after losses on disposal of electro-optics operations

Vinten hit by exceptional costs

By Paul Taylor

Vinten, the restructured camera mountings and surveillance systems group, yesterday reported a decline in pre-tax profits in 1993 to £4.21m after exceptional charges totalling £10.4m - mostly related to the disposal of the loss-making electro-optics operations.

The fall in pre-tax profits from £10.2m in 1992 came despite operating profits up 38 per cent to £15.6m. This reflected strong growth in the core broadcast systems and photographic businesses, acquisitions and exchange rate movements, which added about £2m to profits.

Turnover grew by 21 per cent to £93.4m (£77.3m), including a £18.1m contribution from acquisitions and £3.58m from discontinued operations. Earnings per share fell to 6.1p (£2.7p). Nevertheless, a 5.7p final dividend is recommended making a total of 7.8p (£7p).

The broadcast systems division, strengthened by the acquisitions of Internet Video Communications in the UK and Total Spectrum Manufacturing in the US, reported trading profits up 42 per cent to £4.4m on turnover which grew by 39

per cent to £33.8m. In the photographic business, which now accounts for more than 50 per cent of group profits, Gruppo Manfrotto based in Italy had another strong year. Trading profits increased by 40 per cent to £2.53m on turnover up 53 per cent to £35.9m.

W Vinten also performed well lifting the surveillance systems profits by 28 per cent to £21.8m despite a 4 per cent decline in turnover to £20.1m.

Despite spending £14.2m on acquisitions - excluding the TSM acquisition which was funded with shares - year end net debt increased by just £2.7m to £11.4m, equivalent to gearing of 44.3 per cent.

COMMENT

Yesterday's 6p rise in Vinten's shares to 520p was well deserved and reflected market satisfaction with the group's underlying performance. The exit from the loss-making defence-related electro-optical businesses in September was welcome. Meanwhile Vinten has made astute acquisitions in areas it knows well and which should have good growth prospects. The UK and Italian manufacturing



Malcolm Baggott, chief executive (left) and Humphrey Wood, chairman: all-round growth helped operating profits rise 38%

operations should continue to benefit from sales currencies helping the group further expand its US and east Asia sales which already account for 62 per cent of the total.

Pre-tax profits of about £16.5m look possible this year generating earnings of 33.4p. The shares are trading on a forward multiple of 15.6 and look moderately cheap.

Jonathan Agnew gets £600,000 handshake

By Norma Cohen, Investments Correspondent

Mr Jonathan Agnew, former chief executive of Kleinwort Benson, the merchant bank, received a £600,000 ex-gratia payment "following the termination of his employment", according to the company's annual report.

Mr Agnew announced last May that he intended to resign in the summer and Lord Rockley, KB chairman, said the company would look to replace him externally.

In explaining the payment to Mr Agnew - which exceeds the total salary and performance-related pay earned by KB's chairman in 1993 - Mr Peter Churchill-Coleman, company secretary, said the sum was agreed by a compensation committee consisting of non-executive directors. It does not represent a sum due under a long-term employment contract.

"None of our directors is on a long-term contract," Mr Churchill-Coleman said. Contracts for directors at KB are typically three months long. Meanwhile, a £25,000 payment was made to the bank's pension plan to enhance the pension of Mr David Peake, the former chairman who retired from full-time executive duties in April 1993. He remains a non-executive director.

The annual report also disclosed that Lord Rockley earned £303,000 in performance-related pay in addition to his salary. The chairman's salary, which for the first four months of 1993 was paid to Mr Peake, was £255,000.

However, Lord Rockley was a director during that period and shared in a total of £2.6m in base salaries paid to 13 executive directors. In addition, the 13 directors shared in a pot of £2.9m in performance-related pay. The annual report says that performance-related pay to directors includes discretionary bonuses which are "not based on any fixed or formulaic arrangements especially related to profits".

Shareholder groups have called for companies to set firm criteria by which director pay will earn performance-related pay.

Demand in developing markets assists Molins

By David Blackwell

Good demand for cigarette making machinery from China and other developing markets helped Molins, the tobacco and packaging group, to increase profits for 1993.

Pre-tax profits were 11 per cent ahead at £20.4m, compared with £18.3m on turnover 12 per cent higher at £203.5m (£181m).

Tobacco machinery turnover rose 15 per cent to £127.8m (£111m) for operating profits of £20.4m (£18.3m), up 10 per cent.

Mr Peter Greenwood, managing director, said the division's operating margins were down by 1 point to 16 per cent, reflecting lower demand for spares from Brazil and the US, where sales were hit by a cigarette price war. However, the volume of new machines sold and margins improved. Mr Greenwood cited the good progress of the group's Passim

machinery side.

The packaging machinery division, based in the US, improved turnover by 18 per cent to £75.1m (£63.8m), but operating profits were down from £3.1m to £2.7m. Mr Greenwood said margins had been hit by heavy discounting in both the US and Europe.

In addition to packaging, Molins is seeking to diversify into food processing and packaging machinery, and has won its first order, worth £5m. This was "tangible evidence that the group is taking its knowledge and applying it to a wider customer base," said Mr Greenwood.

The group ended the year ungaraged, with net cash of £3.5m, compared with gearing of 10.3 per cent and net debt of £14.7m at the end of 1992.

The pre-tax profits were also helped by a £3.3m net pension credit (£3.4m) and a fall in interest payments from £2.9m

to £2m. Earnings per share were up from 41.9p to 48.7p. A final dividend of 10.5p (8.5p) is proposed, taking the total for the year to 13.4p (14p).

COMMENT

Tobacco machinery remains the driving force behind Molins, which might account for the modest rating of the stock. The group is looking for sensible ways to spread its expertise in handling delicate materials at high speed. It is being very secretive about its first order for food processing machinery, but it looks like a step in the right direction. With a strong balance sheet, the group is well-placed to take advantage of any acquisition opportunities. If it grows earnings by a further 10 per cent this year, the prospective p/e is an attractive 10. But given the group's exposure to China, it is worth keeping an eye on the Hong Kong political situation.

Scottish Amicable in European link with J Rothschild

By Alison Smith

Scottish Amicable, one of the UK's largest mutual life offices, is to set up an international life company to provide financial services in Europe, in a deal which sees its relationship with J Rothschild Assurance becoming even closer.

Scottish Amicable European will be based in Dublin, and will take on the existing 60 staff, premises and business assets of J Rothschild International Assurance.

JRIA will in effect, start again, under Mr David Beynon, who will build up a new marketing team. Mr Beynon is a former colleague of Sir Mark Weinberg, now JRA chairman, at Allied Dunbar, who joined the J Rothschild Group late last year.

The administration and some product development for JRIA will be carried out by Scottish Amicable European. In an arrangement that mirrors the relationship between Scottish Amicable and JRA in the UK.

J Rothschild Assurance Holdings will have a 10 per cent stake in Scottish Amicable International Holdings, Scottish Amicable will have an 80 per cent stake and the remaining 10 per cent will be owned by the management and salesforce.

Mr Roy Nicolson, ScotAm managing director, said the new venture was intended to become operational in June.

Of the total £28m initial cost ScotAm was investing £25m in development capital, of which some £1m-£2m is going towards start-up costs. In December, ScotAm raised a £100m "war chest" for acquisitions and expansion via a bond issue.

Sir Mark said the arrangement announced yesterday was an opportunity to create two life companies for the price of one. The two companies would share a computer system but would be able to tailor products to their own markets. Although be in competition, each company will focus on its own area of expertise.

73% public take up of MDIS

By Alan Cane

Shares in McDonnell Information Systems, the Hemel Hempstead-based computing services company, have proved harder to sell to the public than to institutions.

The group said yesterday that all the shares had been placed with institutions at 260p a share.

Some 25.6m of the 73.1m total had been available under clawback arrangements to satisfy public applications and priority applications from eligible employees. However, only 8,585 valid applications, for 18.7m shares or 73 per cent, had been received.

The flotation, valuing the group at about £250m, is the largest in the information technology sector this year but analysts said they were not surprised by the public under-subscription.

MDIS, a company which specialises in applications software and software tools, was hard to sell to a general audience. There was also a perception that the market was changing and the window of opportunity for new flotations closing.

Mr Anthony McGrath, of Baring Brothers, sponsor to the issue, said the public offering had been made in deference to Stock Exchange demands. It had always been considered a challenge for a company like MDIS.

Sirdar ahead in spite of yarns' losses

By David Blackwell

Sirdar, the textile group, lifted interim pre-tax profits in spite of operating losses of £241,000 in its hand-knitting and machine yarns division.

Profits for the six months to end December were £2.81m, up from a previous £2.67m. Total turnover edged ahead from £27.1m to £27.6m.

The losses on yarns were incurred on turnover down from £11.2m to £10.1m and compared with previous profits of £26,000.

Mr Gerry Lumb, chairman and managing director, said the company was responding to a lack of volume in the hand-knitting market by switching its emphasis to machine yarns.

Other textile products lowered operating profits from £2.91m to £2.57m. This division, comprising Evermore ready-made curtains and Burnatex floor coverings, had achieved good results in difficult markets, said Mr Lumb.

The group's share of profits from its 50 per cent stake in Acropolis Hotels fell from £158,000 to £128,000.

Interest payable fell from £380,000 to £150,000, and the tax charge eased to £975,000 (£1m).

Earnings per share were ahead at 3.41p (3.12p), while the interim dividend is increased from 1.65p to 1.72p.

Exports spark Arcoelectric rise

Higher exports helped Arcoelectric Holdings, the electrical and electronic components supplier, achieve 1993 pre-tax profits of £408,000, against £108,000.

Turnover improved to £11.8m (£10.5m). Earnings per share came out at 5.57p (2.13p). A final dividend of 0.66p is proposed for a total of 1.21p (1.11p).

£16m loss for Allied Leisure

By Tim Burt

Shares in Allied Leisure fell 16p to 27p yesterday after the nightclub and ten-pin bowling company announced interim pre-tax losses of £16.1m and a board shake-out.

The company blamed the deficit, struck against a £1.2m profit last time, on restructuring provisions of £14.2m and large asset write-downs.

As part of the upheaval Mr Richard Carr, chief executive, has agreed to resign and two other directors are leaving the main board to concentrate on operational affairs.

Their departure follows a 72 per cent decline in operating profits to £592,000 in the 24 weeks to January 2.

The operating figure, achieved on flat turnover of £11.2m (£11.5m), was also depleted by £300,000 in one-off payments to out-going directors, including £180,000 payable to Mr Carr.

Mr Damien Harte, appointed finance director last November, said: "We had to take action. The company was suffering from a combination of problems which threatened its ultimate survival."

Determined to safeguard Allied's future, he initiated the restructuring, which included £9.7m in asset write-downs, £3m to cover the disposal of loss-making operations and a further £1.5m for further reorganisation. The company has also decided to sell its Liverpool bowling alley and close four clubs and bars in Dundee and Bedford, which reported a combined trading loss of £241,000.

Market uncertainty increased after the company admitted it was in breach of its banking covenants over the write-downs and provisions.

Mr Harte, however, said the group's bankers remained supportive and had agreed to a three-month moratorium on capital repayments of its £14.9m debt. "We expect to be able to present some structural solutions to our lenders and shareholders by the middle of the year."

Losses per share emerged at 25.2p (2.92p earnings) and the interim dividend is passed - 1p was paid previously.

The company also said Mr Carr had sold 1.5m shares yesterday - reducing his stake to 5.06 per cent - but retained full confidence in the board.

Shandwick in £18.9m rights issue to cut borrowings

By Simon Davies

Shandwick, the public relations company, is to raise £18.9m from a rights issue to reduce bank borrowings.

The cash call had been long expected, and the share price reacted favourably to the news, rising 34p to close at 594p.

Mr Dermot McNulty, chief operating officer, said that "people will now be able to focus on our business, and not our financials".

The company is proposing the issue on a 1-for-2 basis, pitched at 49p, which is a 30 per cent discount to Thursday's closing share price. Shandwick will use £16.9m of the proceeds to reduce its £71m bank debt, directors stated.

Lending margins on Shand-

wick's debt were cut when it renegotiated banking facilities in January, and the banks have agreed a further reduction, upon repayment of £15m.

These lending margins will have been reduced by about 0.75 percentage points in three months, and brokers estimate that debt servicing will be reduced by about £1.5m per annum, following the rights issue. Net debt will remain at about £48m following the rights issue.

Shandwick is not considering acquisitions, according to Mr McNulty, but he added: "We are now beginning to see encouraging signs, in terms of trading in the US and UK, and we would like to be in a position to look at business opportunities."

Shandwick is paying a 0.43p interim dividend in September and a final of 0.87p, the first pay-out since 1991.

COMMENT

It was only a question of time before Shandwick came back to the market, and while the rights issue will dilute earnings per share over the next two years, it puts the company back on a firm financial footing. Given the pricing of the rights shares, a high take-up is certain. Brokers expect pre-tax profits of £7.75m in 1993-94, putting the shares on a p/e of 13.6, allowing for the rights. Given the company's operational gearing and improving business environment, there should be longer-term upside in the share price.

Goal Petroleum falls 27%

By Peggy Hollinger

Lower production and higher tax provisions hit net profits at Goal Petroleum, the North Sea oil and gas explorer which yesterday announced a 27 per cent drop to £5.1m for the year to December 31.

Turnover fell by 4 per cent to £42.4m, due to maintenance work on two fields - Buchan and Wytch Farm. Tax rose 40 per cent to £2.8m because of changes to Petroleum Revenue Tax.

David Boyd, managing director, said Goal was confident of a recovery in production.

He was particularly optimistic given the 5 per cent rise in proven and probable reserves to 41.6m barrels of oil equivalent, following recent acquisitions.

The group was keeping an eye on opportunities abroad. Mr Boyd said. Although Goal remained committed to the North Sea, eventually it would "have to go further afield". Areas of particular interest were Venezuela and Australia.

Goal spent some £15m on exploration, largely to appraise previous discoveries.

The group expected to spend

about half that this year, with more investment in developing assets. "We are reflecting industry pressures," said Mr Boyd. "Money is being spent on investments that are likely to make earlier returns." Such trends become more common at times of weak oil prices.

Goal finished the year with net debt of £13m, or 14 per cent of shareholders' funds. This compared with net debt of £18.7m and gearing of 21 per cent.

The dividend was increased from 1.4p to 1.45p. Earnings fell from 5.25p to 3.79p.

Christmas sales lift Fortnum & Mason

By Peggy Hollinger

Fortnum & Mason food fans helped the London department store to an increase in sales and pre-tax profits for the 28 weeks ended January 21 1994.

A better-than-expected rise in Christmas catalogue sales - the workbook of the famous Fortnum's hamper - helped boost operating profits by 21 per cent to £1.4m, on sales 10 per cent ahead to £17.2m.

A drop in interest receivable, however, held back the advance at the pre-tax level and left the figure at £1.6m, compared with £1.5m.

Fortnum's, which is 99 per cent owned by George Weston Holdings, had net cash of £7m. This would fall after the purchase of a long leasehold for £1.75m.

The company warned that the outlook for the second half remained uncertain. Trading continued to be buoyant, but the vast majority of Fortnum's profits were traditionally made in the first half.

McCarthy & Stone calls for £15.5m and forecasts reduced interim losses

By Andrew Taylor, Construction Correspondent

McCarthy & Stone, Britain's biggest builder of retirement homes, yesterday announced a £15.5m rights issue to reduce borrowings and buy land.

The company also is proposing to cancel £2.63m of dividend arrears owed to cumulative preference shareholders who are being offered a scrip issue of one new preference share for every 5,500 preference shares already held.

McCarthy said that in the present circumstances it would be unlikely "to pay off these arrears for some considerable time".

The rights issue of 28m shares is on the basis of 3-for-5

at 58p. The shares rose 1p to 73p following the announcement.

McCarthy, which is experiencing an upturn in demand, expects losses before tax and exceptional for the six months to end-February to fall from £5.7m to no more than £1.3m. The average price for its homes has risen from £56,600 to £64,500 during the past 13 months.

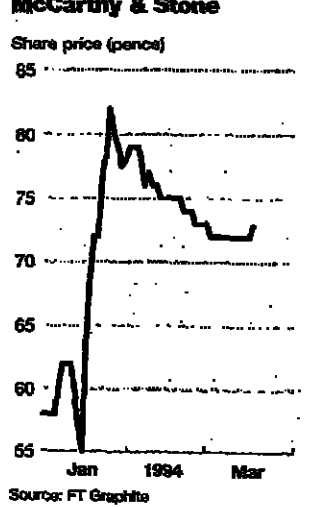
McCarthy said it intended to resume payments of preference dividends following publication of results for the year to August 31, depending on a further revision of banking facilities.

The issue is underwritten by NatWest Markets Corporate Finance.

COMMENT

This looks like a further refinancing given the admission that the company would be unable to pay off arrears without a scrip issue. An early resumption of preference dividends, moreover, looks dependent on a successful rights. On the other hand, most of the group's competitors have disappeared from a market which will command higher margins than general housebuilding as it recovers. At the rights issue price the group remains on a p/e of 25 on 1994-95 pre-tax profits of £4.8m, which may not be announced for 18 months. Shareholders probably have little choice other than to take up their rights but should not buy in the market.

McCarthy & Stone



Borthwicks issues trading statement

Borthwicks, the natural flavours company, said its results for the year to March would be affected by the problems experienced by its US company, start-up costs at F&C Hong Kong and the cost of re-naming its flavours companies worldwide.

Otherwise, group trading had been in line with expectations, with sales 10 per cent ahead of this time last year. The shares slipped 2p to 334p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Leisure	11	May 17	0.55	1.215	1.11
Arcoelectric	0.66	Apr 29	0.94	0.68	0.94
Exeter Preferred	0.88				
Fortnum & Mason	88		88		100
Goal Petroleum	1.45	May 17	1.45	1.45	1.4
Molins	10.5	May 24	9.5	15.4	14
Perry	4.25	July 1	3.25	7	6
Sirdar	1.72	May 9	1.66		5.35
Vinten	5.7	July 1	5.1	7.81	7

Dividends shown pence per share net except where otherwise stated. *Ton increased capital. \$USM stock. *Amended.

Upbeat Bayer forecasts 20% profits advance

By Christopher Parkes
in Leverkusen

Bayer, the chemicals and drugs group, yesterday brightened the German results season with a confident forecast of profits up to 20 per cent higher in the current year.

Mr Manfred Schneider, chairman, said the board had been surprised by the strength of the recent recovery. Sales and earnings had been rising since October, he said.

Turnover had increased 6.5 per cent to almost DM7bn (\$4.2bn) in the first two months of the current year, and operating earnings had improved considerably. This followed a 6 per cent rise in sales and an 18 per cent surge in pre-tax earnings in the final quarter of 1993, he said.

Mr Schneider credited the group's restructuring and cost-

cutting measures with most of the advance, although better exchange rates and the North American recovery had helped.

On the debit side, business had continued shrinking in Germany, although sales were down only 1 per cent after two months, compared with a slump of more than 10 per cent in the same period of 1993. A domestic recovery was not expected before the second half of the year, he added.

Prices remained "absolutely unsatisfactory", and he saw little prospect of increases this year.

Forecasting a pre-tax earnings increase of between 15 and 20 per cent after last year's record low of DM1.14bn, Mr Schneider said most of the gains would be achieved "mainly by our own strength".

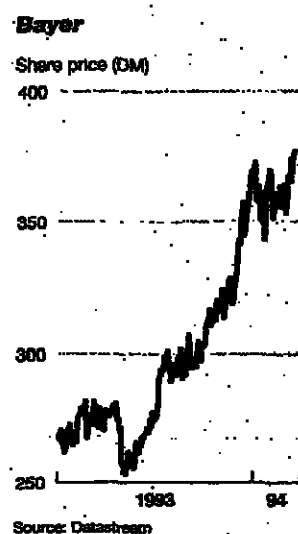
Further strengthening measures were to follow restructuring and rationalisation, which had reduced fixed costs by DM1.5bn in the past three years.

More marketing power and other synergies were expected from the impending merger of the consumer and self-medication products divisions.

Bayer had set itself the goal of ending losses in its textile dyes business this year. All manufacturers were faced with the question of whether Europe was the right place to make such products, he said.

Plant protection, another problem sector, was also on the list for treatment. The recent merger of Hoechst and Schering's activities in this field was a "first step", Mr Schneider noted.

He gave the spin-off of the fibres businesses into Bayer Fiber, with reduced payroll



costs and manufacturing capacity, as one example of action designed to foster a lasting turnaround in a business which had been losing money "for years and years".

The group had reduced its payroll by 4,500 last year, and a further 2,100 jobs were to be lost in the current period - all in Germany.

AT&T hits impasse in Energis negotiations

By Andrew Adams
and Michael Smith

Negotiations between AT&T, the US telecoms group, and Energis, the UK's third long-distance telecoms carrier, have reached a stalemate. The impasse puts AT&T's ambitions to enter the UK market on hold.

AT&T, which has a UK licence application pending, was in talks to take a one-third stake in Energis, a subsidiary of the UK's National Grid Company, which is erecting a long-distance network across Britain using the NGC's electricity pylons.

Energis offered AT&T the chance of by-passing a long regulatory process to gain access to the UK. Energis looked to AT&T for a powerful brand name and additional funding to complete its network.

However, the talks appear to have foundered on the valuation of Energis. According to a consultant, Energis was holding out for a valuation AT&T regarded as "wholly unrealistic".

National Grid is owned jointly by the 12 privatised regional electricity companies in England and Wales. The chairman of one company said: "There was a big price difference and we have separated, but are keeping in touch."

Energis argued that the low cost of its infrastructure compared to that of rival operators, British Telecom and Mercury, gave it a structural cost advantage. However, AT&T took a more conservative view, believing the established UK operators had significant room to cut their existing cost base.

The breakdown underlines AT&T's problems in gaining access to the European telecoms market ahead of the EU's liberalisation of voice services in 1998. Its talks with France Telecom and Deutsche Telekom for a strategic alliance are also stalled, and the European Commission has yet to agree the terms under which new operators can enter the EU.

Commerzbank reveals 3% holding in floated BCI

David Waller in Frankfurt
and John Sinks in Milan

Commerzbank, the smallest of Germany's big three private-sector commercial banks, said yesterday it had bought a 3 per cent stake in Banca Commerciale Italiana, the newly-privatised Italian bank.

The German institution said it had recently been asked by BCI to take a shareholding, which it bought on the stock market at an undisclosed price.

The move comes amid growing belief that institutions close to Mediobanca, the Milan-based merchant bank, have accumulated a combined holding of up to 20 per cent in BCI, which ranks among the top six Italian banks in terms of

assets. Such a stake would give the group a powerful argument for a seat on the board.

Commerzbank, which recently formed commercial links with another privatised bank, Credito Italiano, said the BCI stake was a strategic move to intensify operations in Italy. Besides Commerzbank, the other two institutions with declared holdings close to 3 per cent, the maximum voting power of any one shareholder, are Paribas, and Generali, Italy's largest insurance company.

BCI, which is a Paribas shareholder, has 8 per cent of Mediobanca, which is a major shareholder in Generali.

The pattern of ownership will not become apparent, how-

ever, until the bank holds its first shareholders' meeting as a public company. This is expected by the end of April.

The jockeying for position within the bank has pitted the Mediobanca allies against Mr Romano Prodi, chairman of the state holding company IRI, which disposed of its entire 51 per cent stake in BCI through a public offer and a private placement.

Mr Prodi's wishes for a wide spread of ownership resulted in a clawback in favour of private investors. There were also complaints from Italian unit trusts that the allocation had not favoured them, suggesting a considerable placement with foreign investors, out of Mediobanca's reach.

French group lifts US stake

By John Riddling in Paris

Compagnie Générale des Eaux, the French utilities and industrial group, said yesterday it has agreed to raise its stake in Air & Water Technology of the US from 23 per cent to 40 per cent.

As a result, it will hold 48 per cent of the voting rights of the US company, which specialises in the treatment of water and the reduction of air pollution, and has annual sales of about \$630m.

The French group described the move as "an important step in its strategy of expanding in the US in areas of strong growth". It already achieves annual sales of about \$75.5bn (\$854m) in the US market.

Under the terms of the agreement, Générale des Eaux will exchange its wholly-owned subsidiary, Professional Services Group, for 6.5m new Air & Water shares. The French group will also subscribe to a private placement share issue with a priority dividend, and an issue of ordinary shares in the US group.

Metallgesellschaft plans action against sacked chief

By David Waller

The supervisory board of Metallgesellschaft said yesterday it would take legal steps to seek damages against Mr Heinz Schimmelbusch, the sacked chief executive of the Frankfurt-based metals, mining and industrial group. It will also take action against Mr Meinhard Forster, the former finance director.

The supervisory board said the move followed an independent report into the events leading to the near collapse of the group - Germany's 14th largest industrial company - commissioned in December and conducted by Wollert-Elmendorf Deutsche Industrie Treuhand, an accountancy firm.

Mr Schimmelbusch is being investigated by the Frankfurt prosecutor's office for failing to keep the supervisory board informed as required under German law. He has twice publicly denied responsibility for the debacle, and said he will take all steps to defend his reputation.

The report, examined by Metallgesellschaft's supervisory board on March 11, focused mainly on the oil futures trading activities of MG Corp, Metallgesellschaft's New York-based trading subsidiary, which gave rise to losses of DM2.3bn (\$1.4bn) and drove the group to the brink of bankruptcy.

MG Corp's oil futures commitments increased eightfold to 160m barrels during the 1992-93 financial year. The report, an abridged version of which was published yesterday, concluded that:

● Mr Forster, the former finance director, was aware of the growing risks associated with the oil futures business from the summer of last year. Other members of the group's management board - including Mr Schimmelbusch - regularly received documents showing the rising scale of unrealised gains and realised losses.

The information given to the board as a whole, however, was deficient in relation to the seriousness of the business risks.

● MG Corp's accounts, prepared according to US Generally Accepted Accounting Principles (US GAAP), provided a flattering picture of business development at the company. Had they been prepared according to German rules, profits from MG Corp would have been considerably lower than reported.

● The supervisory board was not correctly informed of developments at MG Corp.

● Dealings between MG Corp and Castle Corporation, an oil refining company with which MG Corp had a tangled business relationship, were skewed to the benefit of Castle. In November 1993, MG Corp's investment in Castle, a former shell company, totalled \$600m. Three senior MG Corp executives were directors of Castle. MG Corp executives owned 3.9 per cent of the shares in Castle in November last year.

The supervisory board said the report supported its argument that it was misled by Mr Schimmelbusch and Mr Forster.

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Prices for electricity generated by the purpose of the electricity pooling and settlement arrangements in England and Wales				
Forward Price for		Pool Prices for trading		
Settlement Period	Forward Price	Day	Night	Total
19/03	15.71	17.00	17.00	34.00
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21/03	15.71	17.00	17.00	34.00
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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Aluminium and copper hit peaks

The London Metal Exchange aluminium and copper markets fed off each other's strength this week as they surged respectively to 20-month and 84-month peaks.

Helped by constructive technical factors the three months delivery aluminium price broke resistance at \$1,320 a tonne in mid-week, triggering heavy stop-loss buying. The price moved on to \$1,355 yesterday morning on speculative and physical buying, but then ran into profit-taking and European trade house sales, which took it down to \$1,345.50 at the close, up \$0.50 on the day and \$47 on the week.

Traders thought the market's bull trend remained intact, however. "It will take a brave man to go short ahead of the weekend," one dealer told the Reuters news agency.

Copper's peak came on Thursday, when the three months position touched \$1,985 a tonne. Traders attributed the rise to bullish charts, an improving supply/demand balance, a shortage of good quality metal and expectations of another big fall in LME warehouse stocks. The anticipated stocks fall was duly announced yesterday morning and the price, which had retreated to \$1,965.50 by Thursday's close, rose to \$1,970. The heavy selling that had hit the market late on Thursday then reappeared, however, and by the close the price had edged back to \$1,968.50 a tonne, up \$3 on the day and \$38.75 up on the week.

Precious metals were on the retreat for most of the week before gold led a late rally yesterday.

The yellow metal regained \$3.05 of the \$3.85 it had lost over the preceding four days to end at \$386.50 a troy ounce. "Yesterday everybody was bearish at \$382, now everybody is bullish at \$386," one dealer said. "We may be seeing people

taking out a bit of insurance against incidents in South Africa over the weekend," suggested another.

The platinum price, which had been lifted in response to the unrest in the homeland of Bophuthatswana, which accounts for 30 per cent of South Africa's production of the metal, weakened on the news of tension before rallying with gold. It was fixed yesterday afternoon at \$400.40 an ounce, up \$1.55 on the day but still \$3.35 down on the week.

At the London Commodity Exchange coffee futures climbed to the highest levels since the launch of the dollar contract three years ago.

Monday's news that the US Department of Agriculture had cut its forecast for the 1994-95 Brazilian crop from 24.3m bags (60kg each) to 23.5m helped the May contract to break through the

the \$1,300-a-tonne barrier on Monday and investors were encouraged by the market's ability to hold comfortably above that level over the next few days in spite of bouts of profit taking. Investment fund and trade buyers returned in force on Thursday, lifting the May price to \$1,340 a tonne at one stage. It dipped to \$1,315 yesterday morning but by the close was trading at \$1,331, up \$68 on the week.

Cocoa futures also chalked up good gains before producer selling was attracted late in the week. The May price climbed to \$985 a tonne on Thursday morning but ended yesterday at \$983, up \$27 on balance. Traders said that the market was continuing to attract selling from West African producers and, in the absence of buying interest from the investment funds, this was weighing down prices. They noted, however, that good support was likely in the \$940-\$950 range.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year ago	1993/1994
Gold per troy oz.	\$386.50	+0.50	\$373.45	\$406.75
Silver per troy oz.	\$382.50	+0.10	\$348.00	\$380.00
Aluminium 99.7% (cash)	\$1,345.50	+48.5	\$1,148.5	\$1,023.50
Copper Grade A (cash)	\$1,968.50	+44	\$1,918.5	\$1,018.50
Lead (cash)	\$2,075.00	+13.0	\$2,072.0	\$2,075.00
Zinc (cash)	\$1,010.00	+18.0	\$994.5	\$994.50
Soft (SHG) (cash)	\$666.00	+17.5	\$658.5	\$666.00
Timber (cash)	\$565.00	+15.0	\$550.0	\$543.00
Cocoa Futures May	\$983.00	+28	\$987.0	\$987.00
Coffee Futures May	\$1,331.00	+62.0	\$1,269.0	\$1,269.00
Sugar (LDP) (raw)	\$294.00	+0.40	\$282.5	\$294.00
Barley Futures May	\$1,062.50	+0.10	\$1,062.5	\$1,062.50
Wheat Futures May	\$1,062.50	+0.10	\$1,062.5	\$1,062.50
Cotton Outlook A Index	\$1,062.50	+0.10	\$1,062.5	\$1,062.50
Oil (Brent Blend)	\$1,062.50	+0.10	\$1,062.5	\$1,062.50

For terms and conditions visit P. 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

WORLD BOND PRICES

Coupon	Rate	Price	Yield	Week ago	Month ago
Australia	9.50	98.04	11.9500	-0.220	7.25
Belgium	7.25	100.04	10.0000	-0.020	7.22
Canada	6.50	100.04	10.0000	-0.020	7.22
Denmark	7.25	100.04	10.0000	-0.020	7.22
France	6.50	100.04	10.0000	-0.020	7.22
Germany	6.50	100.04	10.0000	-0.020	7.22
Italy	6.50	100.04	10.0000	-0.020	7.22
Japan	6.50	100.04	10.0000	-0.020	7.22
Netherlands	6.50	100.04	10.0000	-0.020	7.22
Spain	6.50	100.04	10.0000	-0.020	7.22
UK Gilt	6.50	100.04	10.0000	-0.020	7.22
US Treasury	6.50	100.04	10.0000	-0.020	7.22
EU Treasury Govt	6.50	100.04	10.0000	-0.020	7.22

London closing, New York mid-day. Yields local market standard. 1. One month yield (interbank) on 12.5 per cent payable by clearing banks. 2. One year yield (interbank) on 12.5 per cent payable by clearing banks. 3. One year yield (interbank) on 12.5 per cent payable by clearing banks. 4. One year yield (interbank) on 12.5 per cent payable by clearing banks. 5. One year yield (interbank) on 12.5 per cent payable by clearing banks. 6. One year yield (interbank) on 12.5 per cent payable by clearing banks. 7. One year yield (interbank) on 12.5 per cent payable by clearing banks. 8. One year yield (interbank) on 12.5 per cent payable by clearing banks. 9. One year yield (interbank) on 12.5 per cent payable by clearing banks. 10. One year yield (interbank) on 12.5 per cent payable by clearing banks. 11. One year yield (interbank) on 12.5 per cent payable by clearing banks. 12. One year yield (interbank) on 12.5 per cent payable by clearing banks. 13. 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Dollar gains

Some speculated that Mr Clinton had called the Fed chairman in to emphasise that the Administration does not want higher interest rates.

More popular was the view that instead of tightening the Federal Funds rate by 25 basis points, the Fed might lift the

WINSTAIN THE POUND					
	Bid/offer spread		Day's Bid low	One month Rate	%PA
27 - 836		17.760	17.888	17.774	0.0
76 - 584		62.000	51.895	52.073	-1.0
18 - 038		8.9258	8.9895	9.008	-1.0
60 - 583		8.2539	8.2610		
76 - 052		8.6148	8.5757		-5.0
27 - 836		2.5518	2.5180	2.529	-1.0
47 - 074		388.374	366.952		
86 - 424		1.0454	1.0394	1.0417	-0.3
76 - 583		2.4973	2.488	2.504	-0.7
76 - 584		52.000	51.905	52.073	-1.0
76 - 583		2.8432	2.8359	2.8398	-0.6
77 - 594		17.760	17.888	18.974	
76 - 583		290.725	290.905	290.91	
76 - 584		259.250	258.895	257.933	-3.3
34 - 345		17.7605	17.6820	17.747	-2.2
42 - 464		2.1512	2.1418	2.1436	-1.4
77 - 057		1.3098	1.2949	1.3098	-1.2

96	- 883	1.4938	1.4961	-	-
97	- 938	110110	1161.00	-	-
98	- 363	2.0478	2.0540	2.0555	1.91
99	- 809	1.4942	1.4982	1.4987	1.71
99	- 810	2.1037	2.0874	2.0884	0.14
99	- 092	11.5338	11.4983	11.4993	0.14
99	- 829	46.824	46.829	-	-
101	- 938	158.890	157.580	157.47	3.04
100	- 511	0.45812	0.4047	-	-
101	- 018	2.5604	2.5905	2.6027	-
101	- 092	11.5995	10.7949	-	-
101	- 829	46.824	46.829	1.5724	-
100	- 693	3.2653	3.2549	-	-
104	- 333	5.1446	5.1096	-	-
102	- 142	8.6135	8.7251	-	-
102	- 147	120.507	119.621	-	-
102	- 829	46.824	46.829	1.5724	-
106	- 164	37.8030	37.8510	-	-

Spot table shows the first three decimal places of the spot rate as calculated by the Bank of England. Base value are rounded to the nearest 0.01.

SPOT CLOSING SPOT PATTER. Some values are rounded.

RATIVES				
Fr	DE	IE	UK	FI
131	4.953	2.001	4801	5.458
133	1.551	1.052	2954	2.858
140	2.535	1.210	2904	3.300
407	1	0.412	983.3	1.124
263	2.426	1	2400	2.727
384	0.101	0.042	100	0.114
030	0.088	0.087	879.1	0.91
130	1.238	0.611	1226	2.093
110	0.972	0.401	951.1	1.082
148	1.217	0.587	1230	2.069
333	2.158	0.802	2150	2.420
010	1.177	0.485	1195	1.324
002	2.525	1.041	2498	2.658
138	1.238	0.611	1226	1.850
477	1.098	0.893	1678	1.907
144	15.89	8.593	15520	17.308
1576	1.930	0.796	1910	2.710

High	Low	Est. vol	Open Int.
0.5896	0.5862	60,963	88,787
0.5855	0.5850	222	2,763
-	0.5850	4	112

0.000 per SF			
0.6956	0.6918	19,334	32,382
-	0.6930	39	260
-	0.6950	2	37

Six months	One year	Long-term inter.	Dis. rate	Repo rate
0 1/8	0 1/8	7.40	5.00	-
0 1/8	0 1/8	7.40	5.00	-
0 1/8	0 1/8	6.10	-	7.75
0 1/8	0 1/8	6.10	-	7.75
5.58	5.58	6.75	5.25	8.88
5.65	5.65	6.75	5.25	8.94
6 1/8	6 1/8	-	-	8.75
6 1/8	6 1/8	-	-	8.75
8 1/8	8 1/8	-	8.00	8.92
8 1/8	8 1/8	-	8.00	8.92
5.18	5.18	-	5.25	-
5.21	5.18	-	5.25	-
4 1/8	4 3/8	6.625	4.00	-
4 1/8	4 3/8	6.625	4.00	-
4 1/8	4 1/8	-	3.00	-
4 1/8	4 1/8	-	3.00	-
2 1/4	2 1/8	-	1.75	-

Rate	12 mos	3 mos	6 mos	9 mos
4 3/4	4 1/2	-	-	-
4 1/2	4 1/4	-	-	-
3.92	4.31	-	-	-
4.00	4.43	-	-	-
3 3/4	4	-	-	-
3 1/2	4	-	-	-

mths: 5 1/2; 1 year: 5 1/2; 5 LIBOR Interbank fixing
 by four reference banks at 11 a.m. each working
 day; 3 mos: 3 mos National Westminster
 US \$ CDs and US\$ Linked Deposits (24).

RATES

Rate	Three months	Six months	One year
6 1/8	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6 1/2
6 1/4	6 1/4 - 5 3/4	6 1/4 - 5 3/4	6 1/4 - 6
6 1/2	6 1/2 - 6	6 1/2 - 6	6 1/2 - 6 1/2
6 3/4	6 3/4 - 6 1/4	6 3/4 - 6 1/4	6 3/4 - 6 1/2
6 3/8	6 3/8 - 6 1/8	6 3/8 - 6	6 3/8 - 6 1/2
6 3/4	6 3/4 - 6 1/4	6 3/4 - 6	6 3/4 - 6
6 1/2	6 1/2 - 6	6 1/2 - 6	6 1/2 - 6
6 1/4	6 1/4 - 6	6 1/4 - 6	6 1/4 - 6
6 1/8	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8	6 1/8 - 6 1/8
6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4	6 1/4 - 6 1/4
6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2	6 1/2 - 6 1/2

[illegible]

French franc
FFr per DM
3.39

3.40

	18	3.41		18
Mar			Feb	1984
bank might now let its r				
rate fall as low as 5.80 per c				
from the current level of 7				
per cent.				
Conditions in the UK				
count market were easier y				
terday with the Bank				
England speedily dispatchin				
£1.55bn shortage.				
■ OTHER CURRENCIES				
Mar 18		£		100
Hungary	184.250	154.488	103.50	- 5
Italy	206.350	203.100	174.625	- 15
Poland	0.4428	0.4443	0.2975	- 2
Romania	37.672	37.677	22.824	- 22
Soviet	259.25	259.18	177.19	- 17
Yugoslavia	5.4701	5.4915	5.4750	- 0.02

	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
1.1	11.9825	-1.6	12.0025	-0.6	100
7.1	36.1475	-2.3	35.4225	-1.4	100
18.1	8.8988	-2.3	8.7283	-1.2	100
1.2	6.5322	-0.8	5.9574	-0.3	70
7.2	7.2804	-1.0	6.7283	-0.3	90
18.2	1.7046	-2.0	1.7112	-0.8	100
1.3	258.15	-17.0	236.86	-16.7	70
7.3	5.4224	2.1	5.4084	1.5	70
18.3	1.9874	-4.6	1.7973	-3.5	70
1.4	35.1475	-2.3	35.4225	-1.4	100
7.4	10.9141	-1.5	1.910	-0.6	100
18.4	7.2804	-1.5	7.3939	-0.5	90
1.5	17.074	-6.8	18.22	-4.4	80
7.5	140.81	-4.3	145.95	-3.3	80
18.5	1.7414	-3.3	8.0421	-2.1	80
1.6	1.9149	-0.2	1.4339	-0.5	100
7.6	1.484	1.3	1.4784	0.7	80
18.6	1.1911	2.4	1.1291	1.3	80

[illegible]

Change on 09/02/98	% +/- from curr. unit	% spread v. weakest	Change on 09/02/98
+0.00028	-1.80	4.57	1.00
-0.00106	-1.23	4.29	1.00
-0.00055	-1.11	4.16	1.00
-0.00012	-1.00	4.05	1.00
+0.00087	0.59	2.40	4.00
+0.01188	1.70	1.28	-11.00
-0.0162	2.70	0.21	-11.00
-0.167	3.01	0.00	-29.00
+0.0002	0.48	-0.26	1.00
+4.84	6.80	-8.37	1.00
-0.00105	-0.89	5.82	1.00

Source: Reuters. Percentages are the currency relative strength. The "1.00" denotes a weak currency. Disappearance shows the percentage difference between the actual market and 50-cent central bank intervention. The "0.00" denotes the percentage difference between the actual market and the currency's market rate from the previous day.

PUTS			
Jun	Apr	May	Jun
8.37	-	0.08	0.27
6.30	-	0.27	0.63
4.44	0.18	0.73	1.24
2.90	0.79	1.57	2.19
1.82	2.11	2.85	3.47
1.04	4.05	4.84	5.17

One month	Three months	Six months	One year
5.3 - 5	5.3 - 5.4	5.3 - 5.4	5.3 - 5
4.5 - 5	5.1 - 5.3	5.1 - 5.3	5 - 5.1
4.2 - 4.3	4.1 - 4.1	4.2 - 4.3	4.2 - 4.3
4.3 - 4.5	4.3 - 4.5	4.3 - 4.5	4.3 - 4.5
5.4 - 5.4	5.3 - 5.4	5.3 - 5.4	5.4 - 5.4

1-3 months
 3-6 months
 6-9 months
 9-12 months

4
 3
 3 1/2

The withdrawal for cash 40%,
 state Sigs, Export Finance, Move up February
 1984, Schemes 1 & 2, 5.25%; Preference ratio
 1.5 (Sigs), Finance Points Rate Rate Sigs from

High	Low	Est. vol	Open in
94.85	94.80	28362	118154
94.71	94.61	23329	73266
94.47	94.37	17815	101955
94.16	94.07	4280	32935

previous day.

\$500,000 points of 100%

PUTS			
Dec	Jun	Sep	Dec
3.16	0.09	0.27	0.59
3.08	0.23	0.43	0.57
3.04	0.43	0.63	0.88

day's open int., Calls 113564 Puts 115768

IMM. RATES

%	%
le .. 0.25	* Roebuck & Guarante
ted .. 0.25	Corporation Limited is no
ng & .. 6	longer authorised as a
ing & Co .. 0.25	banking institution. 8
.. 0.25	Royal Bk of Scotland .. 0.25
.. 0.25	* Smith & Wilmson Sec .. 0.25
.. 0.25	Standard Chartered .. 0.25
.. 0.25	TSB .. 0.25
.. 0.25	United Bk of Austral .. 0.25
.. 0.25	Trust Bank Plc .. 0.25
.. 0.25	Western Trust .. 0.25
.. 0.25	Whiteaway Laidlaw .. 0.25
.. 0.25	Yorkshire Bank .. 0.25
.. 0.25	
.. 0.25	* Members of British
.. 0.25	Merchant Banking &
.. 0.25	Securities Houses
.. 0.25	Association
.. 0.25	* in Administration
.. 0.25	

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Leopold Joseph & Sons Ltd
29 Gresham Street, London EC2V 7EA 071-589 2322

£5978

Yearly	£25,000-£100,000	4.50	4.8000	1.3750	0
Yearly	£100,001 plus	4.75	4.5000	1.5000	0

Kleinwort Benson Ltd
1281 Penton Tower Rd, London NW6 2BT 071-267 1581

Yearly	H.L.C.A. (£2,800+)	4.125	3.000	4.100	0
--------	--------------------	-------	-------	-------	---

Kleinwort Benson Private Bank
a division of Kleinwort Benson International Management Ltd
1281 Penton Tower Rd, London NW6 2BT 071-267 1581

100	USDA (2004-04)	4,129	2,080	4,169	2,080
100	Ulysses Bank - Investment Account				
100	FDIC and Loans, RECAP SEC				
100	121000-0000	3.15	2.94	3.15	2.94
100	121000-0001	3.15	2.94	3.15	2.94
100	121000-0002	3.15	2.94	3.15	2.94
100	121000-0003	3.15	2.94	3.15	2.94
100	121000-0004	3.15	2.94	3.15	2.94
100	121000-0005	3.15	2.94	3.15	2.94
100	121000-0006	3.15	2.94	3.15	2.94
100	121000-0007	3.15	2.94	3.15	2.94
100	121000-0008	3.15	2.94	3.15	2.94
100	121000-0009	3.15	2.94	3.15	2.94
100	121000-0010	3.15	2.94	3.15	2.94
100	121000-0011	3.15	2.94	3.15	2.94
100	121000-0012	3.15	2.94	3.15	2.94
100	121000-0013	3.15	2.94	3.15	2.94
100	121000-0014	3.15	2.94	3.15	2.94
100	121000-0015	3.15	2.94	3.15	2.94
100	121000-0016	3.15	2.94	3.15	2.94
100	121000-0017	3.15	2.94	3.15	2.94
100	121000-0018	3.15	2.94	3.15	2.94
100	121000-0019	3.15	2.94	3.15	2.94
100	121000-0020	3.15	2.94	3.15	2.94
100	121000-0021	3.15	2.94	3.15	2.94
100	121000-0022	3.15	2.94	3.15	2.94
100	121000-0023	3.15	2.94	3.15	2.94
100	121000-0024	3.15	2.94	3.15	2.94
100	121000-0025	3.15	2.94	3.15	2.94
100	121000-0026	3.15	2.94	3.15	2.94
100	121000-0027	3.15	2.94	3.15	2.94
100	121000-0028	3.15	2.94	3.15	2.94
100	121000-0029	3.15	2.94	3.15	2.94
100	121000-0030	3.15	2.94	3.15	2.94
100	121000-0031	3.15	2.94	3.15	2.94
100	121000-0032	3.15	2.94	3.15	2.94
100	121000-0033	3.15	2.94	3.15	2.94
100	121000-0034	3.15	2.94	3.15	2.94
100	121000-0035	3.15	2.94	3.15	2.94
100	121000-0036	3.15	2.94	3.15	2.94
100	121000-0037	3.15	2.94	3.15	2.94
100	121000-0038	3.15	2.94	3.15	2.94
100	121000-0039	3.15	2.94	3.15	2.94
100	121000-0040	3.15	2.94	3.15	2.94
100	121000-0041	3.15	2.94	3.15	2.94
100	121000-0042	3.15	2.94	3.15	2.94
100	121000-0043	3.15	2.94	3.15	2.94
100	121000-0044	3.15	2.94	3.15	2.94
100	121000-0045	3.15	2.94	3.15	2.94
100	121000-0046	3.15	2.94	3.15	2.94
100	121000-0047	3.15	2.94	3.15	2.94
100	121000-0048	3.15	2.94	3.15	2.94
100	121000-0049	3.15	2.94	3.15	2.94
100	121000-0050	3.15	2.94	3.15	2.94
100	121000-0051	3.15	2.94	3.15	2.94
100	121000-0052	3.15	2.94	3.15	2.94
100	121000-0053	3.15	2.94	3.15	2.94
100	121000-0054	3.15	2.94	3.15	2.94
100	121000-0055	3.15	2.94	3.15	2.94
100	121000-0056	3.15	2.94	3.15	2.94
100	121000-0057	3.15	2.94	3.15	2.94
100	121000-0058	3.15	2.94	3.15	2.94
100	121000-0059	3.15			

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BANKS

BUILDING MATS. & MERCHANTS - Cont.

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING, VEHICLES - Cont.

HEALTH CARE - Cont.INVESTMENT TRUSTS - Cont.

BREVE

Intercept	117	92	154	112	232	3.9
Intercept SV	229	-13	232.4	218	141.8	1.4
Intercept	77	—	98	63	3.59	4.9

Phen	11.5	17.5	32.3	1.8
A	11.5	15.5	22.8	1.6

Butlets	730 1/2	+29 1/2	888	233	89.3	8.9
Boronia	131 1/2	-1 1/2	149 1/2	35	23.0	-

Highway 101	275	288	150	127	14	19.1
Interstate	12 1/2	12 1/2	4 1/2	8.58	-	-
State	275	288	150	127	14	19.1

2010	1120	-13	77	44	1.1	790	11.4
& Col Est	700	-13	77	44	1.1	790	11.4
& Col Exp	200		200	161	0.8	3510	2.0

BUILDING & CONSTRUCTION

Central Motor	118	143	98	15.5	4.3
Radco Stearns	128	138	96	29.8	3.5

Walsby	39	700	30	196.1	0.7
Walsbourn	34.2	8.4	14	29.3	-
Walscroft	109	111	37	47.7	-

Gauzy	22 1/2	+4	284	11	7.51	-	
Fertel R	106		130	52	453.8	6.1	14

Notes	Price	+ or -	1993/94		Mkt Cap (\$m)	Yld Gr's	P/E
			high	low			

74	83	85	20.3	-	-
94	112	53	-	281.8	66.6

BUILDING MATS. & MERCHANDISE

12pc CW	212 1/2	-2	213 1/2	2110 1/2	212	7.8
Horizons & Cues	210	—	220	147	1,487	5.4
...	221 1/2	—	22	11	155	5.2

Linear	$\frac{1}{2}$	225	225	97	75.9	3.3
Unwind	$\frac{1}{2}$	140	140	76	10.1	3.4

Zambia Cpr \$80	55	+1	54	49	72.3	-
Zanzibar	53		51	18	97.7	1.9 17

199 $\frac{1}{2}$	-3	219	133 $\frac{1}{2}$	2.3	182.8	-2.9
64 $\frac{1}{4}$	+ $\frac{1}{2}$	75 $\frac{1}{4}$	64	-	-	-

G Dupl Inc	N	305	—	425	398	28.8	—
JP		2828	-28	2773	1850	-3142.3	18.6

काय	540	+3	600	272	677
काय	38	-5	53	38	8.5

ELECTRONIC & ELECTRICAL EQPT

ONE YEAR	1/2	2013	9	1.33	2
VSEL	1025	-1	1083	513	388.5 3.7
Volume	211		211	61	20.2

Price	300	47	49 1/2	300	841.3	5.7	11.1
Dividend	1000	-23	1249	938	8.59%	3.0	6.0
Dividend Yield	333.3	-11	991.2	951.5	11.89%	2.8	12.1

Core Div P1	57 1/2	-4	61 1/2	51 1/2	-	-	-
Mid Jetties	170	-3	173	162	8.3	180.2	-2.2

	144	153	99	3.0	153.7	6.3
Master Card	117	125	90		117.4	0.3
Master Amex	121	121	72		121.0	0.0
Day 6 Comm	121	72	72	1.0	121.0	0.0
Day 7 Comm	121	72	72	1.0	121.0	0.0
Day 8 Comm	121	72	72	1.0	121.0	0.0
Day 9 Comm	121	72	72	1.0	121.0	0.0
Day 10 Comm	121	72	72	1.0	121.0	0.0
Day 11 Comm	121	72	72	1.0	121.0	0.0
Day 12 Comm	121	72	72	1.0	121.0	0.0
Day 13 Comm	121	72	72	1.0	121.0	0.0
Day 14 Comm	121	72	72	1.0	121.0	0.0
Day 15 Comm	121	72	72	1.0	121.0	0.0
Day 16 Comm	121	72	72	1.0	121.0	0.0
Day 17 Comm	121	72	72	1.0	121.0	0.0
Day 18 Comm	121	72	72	1.0	121.0	0.0
Day 19 Comm	121	72	72	1.0	121.0	0.0
Day 20 Comm	121	72	72	1.0	121.0	0.0
Day 21 Comm	121	72	72	1.0	121.0	0.0
Day 22 Comm	121	72	72	1.0	121.0	0.0
Day 23 Comm	121	72	72	1.0	121.0	0.0
Day 24 Comm	121	72	72	1.0	121.0	0.0
Day 25 Comm	121	72	72	1.0	121.0	0.0
Day 26 Comm	121	72	72	1.0	121.0	0.0
Day 27 Comm	121	72	72	1.0	121.0	0.0
Day 28 Comm	121	72	72	1.0	121.0	0.0
Day 29 Comm	121	72	72	1.0	121.0	0.0
Day 30 Comm	121	72	72	1.0	121.0	0.0
Day 31 Comm	121	72	72	1.0	121.0	0.0
Day 32 Comm	121	72	72	1.0	121.0	0.0
Day 33 Comm	121	72	72	1.0	121.0	0.0
Day 34 Comm	121	72	72	1.0	121.0	0.0
Day 35 Comm	121	72	72	1.0	121.0	0.0
Day 36 Comm	121	72	72	1.0	121.0	0.0
Day 37 Comm	121	72	72	1.0	121.0	0.0
Day 38 Comm	121	72	72	1.0	121.0	0.0
Day 39 Comm	121	72	72	1.0	121.0	0.0
Day 40 Comm	121	72	72	1.0	121.0	0.0
Day 41 Comm	121	72	72	1.0	121.0	0.0
Day 42 Comm	121	72	72	1.0	121.0	0.0
Day 43 Comm	121	72	72	1.0	121.0	0.0
Day 44 Comm	121	72	72	1.0	121.0	0.0
Day 45 Comm	121	72	72	1.0	121.0	0.0
Day 46 Comm	121	72	72	1.0	121.0	0.0
Day 47 Comm	121	72	72	1.0	121.0	0.0
Day 48 Comm	121	72	72	1.0	121.0	0.0
Day 49 Comm	121	72	72	1.0	121.0	0.0
Day 50 Comm	121	72	72	1.0	121.0	0.0
Day 51 Comm	121	72	72	1.0	121.0	0.0
Day 52 Comm	121	72	72	1.0	121.0	0.0
Day 53 Comm	121	72	72	1.0	121.0	0.0
Day 54 Comm	121	72	72	1.0	121.0	0.0
Day 55 Comm	121	72	72	1.0	121.0	0.0
Day 56 Comm	121	72	72	1.0	121.0	0.0
Day 57 Comm	121	72	72	1.0	121.0	0.0
Day 58 Comm	121	72	72	1.0	121.0	0.0
Day 59 Comm	121	72	72	1.0	121.0	0.0

Bond aimed at banks and building societies

Bank of England offers variable-rate gilt issue

By Sara Webb

The Bank of England is launching its first UK government bond with a variable rate coupon - rather than a fixed interest rate - in nearly 20 years.

The Bank is keen to offer investors a wider range of financial instruments, and expects the new gilt to appeal primarily to banks and building societies which buy floating rate paper for short-term liquidity purposes. Money market funds are also expected to buy the paper.

However, yesterday's announcement is seen as particularly opportunistic, given the recent bouts of nervousness in the world financial markets.

The gilt-edged, European government and US Treasury bond markets have all seen sharp falls since February 4, when the US Federal Reserve hiked up short-term interest rates.

The markets have been especially nervous about US inflation prospects and the possibility of further rises in US interest rates, and have experienced heavy selling by investors, particularly the US-based hedge funds.

A few borrowers have responded to the uncertainty over interest rate movements this year by issuing floating rate

notes, either in US dollars or sterling. Some gilt analysts pointed out that the Bank was hoping to take advantage of investor uncertainty about the direction of UK interest rates and the fact that some existing floating rate issues are expected to mature this year, creating a shortage of such notes.

"Some investors clearly think that UK interest rates may have bottomed out or be close to their lows, and that a floating rate bond would enable them to take advantage of a rising interest rate scenario," said one analyst.

The fact that the new gilt issue is targeted at banks and building societies may also help - indirectly - to iron out the sharp fluctuations in money market interest rates.

Since the Bank changed its funding rule in March 1993, the banks have bought substantial amounts of gilts. However, the Bank is keen to encourage them to buy more gilts so that they build up large holdings of government paper which can be used as collateral in certain of the Bank's money market operations - known as repos - and which could help to smooth out the volatility in the commercial banks' overnight interest rate.

The last time the Bank issued bonds with a variable interest

rate, the exercise was not deemed a success. It sold three issues, of £400m each, in 1977 and 1979, which matured in 1981, 1982 and 1983. Investor demand was poor, and was not helped by the coupon-setting mechanism which was seen as too complicated. It was set retrospectively, based on an average for the UK Treasury bill rate over the previous six months.

The new gilt issue will be sold at auction on March 30, and details of the amount, maturity and coupon will be announced by the Bank on Tuesday. The coupon is likely to be set using the London interbank rate, the common method of setting the coupon on floating rate sterling bonds.

The Bank said earlier in the week that its auctions would be in the £200-£400m range, but market participants suggested that the Bank is likely to err on the lower end of the range.

The gilt market reacted positively to yesterday's announcement, recovering 4 of a point in the afternoon. However, dealers said this was partly in relief that the Bank was not issuing conventional bonds against an unfavourable market background.

See Lx

US-German air traffic deal heralds closer airline links

By Michael Lindemann in Bonn

Germany and the US signed an agreement on air transport yesterday, paving the way for closer co-operation between Lufthansa, the German national carrier, and United Airlines.

The negotiations, which involved Chancellor Helmut Kohl and President Bill Clinton, will lead to ticket code-sharing between the two airlines and give their clients reciprocal rights to incentive packages, such as frequent-flyer programmes.

The deal came after Thursday night's separate US decision to extend for a year a similar agreement between British Airways and USAir.

A memorandum of understanding signed by Mr Matthias Wissmann, the German transport minister, and Mr Federico Peña, the US transportation secretary, also leaves open the possibility of other US airlines gaining limited access to the code-sharing arrangements.

Mr Jürgen Weber, Lufthansa's chief executive, said the deal, allowing the two airlines to market each other's flights under the same ticketing code, would come into effect on May 1. It will last four years before leading to a broader agreement between the two countries.

The deal gives Lufthansa better access to Caribbean and South American routes, while United can increase flights to eastern Europe and beyond. Under the code-sharing provisions, passengers will be able to make connecting flights on both sides of the Atlantic with only one check-in and benefit from better connections between the two airlines.

Lufthansa will also have more access to destinations in the US, the west's largest aviation market. German officials said the deal would correct the imbalance between US and German carriers that had been created by the 1985 post-war agreement. Under that agreement, US carriers captured 76 per cent of traffic between the two countries.

The officials said the talks had faced "incredible pressure" from other American carriers seeking greater access to Germany and attempting to block the United-Lufthansa partnership.

The number of US flights to Germany will be frozen for the next two years and will increase modestly in the following two. The code-sharing is expected to increase Lufthansa's transatlantic revenues as the carrier prepares for privatisation.

On Thursday the company announced lower losses of DM50m (£19.4m) for 1993 on the back of significant progress in its restructuring programme. That compared with DM287m for the previous year.

Showdown averted, Page 3

THE LEX COLUMN

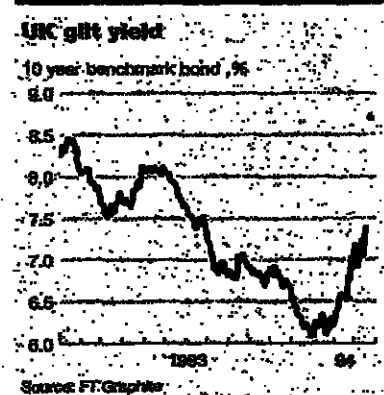
Floating in rough water

The lady may be old but she certainly has a fertile imagination. Until 3.30pm yesterday it looked as though the Bank of England was in an appalling quandary over the gilt market. It had to decide whether to have an auction this month. To duck out might have seemed an admission of inability to fund at all in such difficult markets. A long-dated issue could have easily flopped. A very short-dated one would have appeared like a commitment to a prompt cut in interest rates. By opting for a floating rate issue instead, the Bank seems to have uncovered a rich new seam of demand.

The issue will almost certainly appeal strongly to banks which are facing shortage of loan demand, especially since it requires minimal capital backing under Basel risk ratio rules. Of course, targeting bank investors is only possible because the Treasury is nowdays prepared to count sales of gilts to banks as part of official PSBR funding. Abuse of this relatively new freedom could be seen as a wanton disregard of inflationary risk. Some will doubtless also construe yesterday's move as an admission that fixed-rate yields have troughed.

The other interpretation is that a readiness to issue floating rate debt is an indication of the Bank's faith in its ability to curb inflation, for much the same reason that it likes to sell index-linked gilts. This argument only holds good if the authorities are cautious about their recourse to the banks. They need to sell enough floating rate debt to ensure the issue is limited and to allay fears of over-supply in the fixed-rate market. But funding at floating rates is so easy that it could become a habit. Then discipline over economic policy would disappear.

FT-SE Index: 3218.1 (-37.6)



had not been placed elsewhere. Even the 25 per cent publicly offered could have been clawed back by institutions, so there was little incentive to chase the shares.

Arguably a better tactic would have been to market the issue more heavily at private investors, who are keen on businesses they know and can understand. More limited allocations to institutions might have caused a little hunger and, potentially, a higher price. It may be argued that in volatile conditions the issue had to be priced cautiously, but the 26.2 point rise in the FT-SE 100 this week hardly constitutes a bear market. Still, the silver lining is that at 180p House of Fraser should be a lot more attractive to individuals. Both Warburg and the Stock Exchange may be embarrassed if the issue is now heavily oversubscribed.

Airlines

Lufthansa and British Airways will be delighted by the US government's approval of their code-sharing agreements with US carriers. The potential benefits are perhaps best gauged by the rebuke of the opposition of rival US airlines. By effectively tapping into the US domestic market, the two European airlines can help secure lucrative business traffic which is so critical to profitability. Although BA carries some 25m passengers a year, it makes two-thirds of its revenue from 75,000 customers who regularly travel at the front of the cabin.

BA's link with USAir is under a cloud, given the latter's severe financial strains. But Lufthansa's code-sharing arrangements with United should help it return to profitability.

House of Fraser

The Fayed brothers will not be the only ones to be slightly disappointed by the 180p price tag which was eventually hung on the House of Fraser group. Earlier soundings suggested that the group might go for more than £2.00 a share, and the lead manager, SG Warburg, limited the public offer to 25 per cent of the shares. If the bank believed that pre-marketing to institutions would control the float better and encourage a higher price, it has been proved wrong.

Institutions could see House of Fraser coming. The Fayed brothers were known to have explored other options and the market thus seemed disinclined to pay up for a property which

Lufthansa could gain up to DM100m a year in extra revenue through code-sharing. That should ease the way for the government to reduce its majority shareholding as part of its privatisation programme. Lufthansa's closer links with United will be especially painful for Delta, which has a big presence at Frankfurt. The few big US carriers without a European partner must be growing ever more desperate to get hitched.

Despite recent records, there remain big uncertainties about the regulation of some transatlantic routes. While passengers would appreciate the virtues of further liberalisation, it is not clear that shareholders should be so enamoured. As the domestic US airline market graphically illustrates, too much competition can be an uncomfortable thing.

Scottish Amicable

Scottish Amicable is not the first UK life insurer to see continental Europe as a land of opportunity. Changes in European law mean that its new Dublin-based company will be able to sell the same products in Naples as in Nether Wallop. The flowering of independent financial advisers in countries such as Germany is especially to its liking. Others such as Commercial Union and J. Rothschild Assurance, in which Scottish Amicable has an equity interest, favour building ties with overseas banks.

Whichever approach proves more successful, the reasoning behind overseas expansion is not difficult to fathom. With around 250 life insurance companies operating in the UK, the domestic market looks hopelessly overcrowded. The emergence of bonaccassurance - and the steady erosion of ties with banks and building societies that comes with it - is making matters worse.

Since only a quarter of the £100m raised from the bond market in December has been sunk into the European venture, Scottish Amicable can afford an initiative closer to home. The company has set its face against building a sales force of its own, on the grounds that such investment is rarely profitable. Buying an unquoted competitor, slashing overheads and running off its existing business - the approach being explored by Sir Mark Weinberg - might yield a decent profit. Unless the move really strengthened Scottish Amicable's competitive position, though, such opportunism holds little appeal.

Serbia urged to join Bosnia peace process

Continued from Page 1

Alija Izetbegovic of Bosnia and Franjo Tudjman of Croatia asked for help to rebuild their nations. Mr Clinton promised that the US would contribute and said the US stood ready to act, through Nato, to help sustain any broader and enforceable peace agreement involving all three parties.

But Mr Izetbegovic, considered the most reluctant party to the agreement, also said he wanted a "fair peace" which would include the retention of Bosnia's old borders, resettlement of those expelled from their homes, and a war crimes tribunal.

Yesterday's agreement also laid out the principles of a confederation between the Croat parts of Bosnia and Croatia itself. This blueprint could be extended to allow the Bosnian Serbs a comparable relationship with Serbia.

Serb leaders yesterday appeared in disarray over the Washington agreement, uncertain whether it heralded a pact against the Serbs, or formally sanctioned Greater Serbia and Croatia.

Mr Momcilo Krajcinovic, speaker of the Bosnian Serb assembly, called the federation "an unnatural creation" that would never last. Radio Belgrade reported. Other Bosnian Serb leaders saw the agreement as "positive".

SPD plans tax shift to wealthy to pay for German unification

By Quentin Peel in Bonn

German tax reforms which would shift the burden of spending on unification from the low-paid to the wealthy were outlined yesterday by the opposition Social Democrats as the main plank of their election campaign.

The plan is also intended to boost demand and promote job creation by cutting taxes for ordinary wage-earners, and reducing their social security contributions.

Mr Rudolf Scharping, the SPD leader, says the net effect will be no increase in the combined burden of taxation and insurance contributions, and no increase in the government's net borrowing requirement.

The proposal was published as a draft programme for a future SPD government if the party wins power in October's general election.

It was immediately denounced by Mr Theo Waigel, the finance minister, as "hot air". Far from relieving the burden on ordinary wage-earners, it would hit the vast majority on average incomes, he said.

The tax reforms amount to a calculated risk by the opposition leader, who is seeking to present his party as a reliable alternative

government to Chancellor Helmut Kohl's ruling coalition. They are intended to demonstrate greater social justice, maintain strict fiscal discipline and boost job creation.

The growth rate of public spending would be kept "appreciably below" the nominal growth rate of gross national product in order to cut the soaring public debt, the programme states. "Unnecessary" tax allowances would be abolished.

At the heart of the package is a 10 per cent tax surcharge on higher-income earners. The suggested threshold is an annual income of DM50,000 (£19,455) for the single taxpayer and DM100,000 for married couples. The Kohl government has decided on a 7.5 per cent income tax surcharge to pay for unification to come into effect from January 1995.

The SPD proposal also includes an increase in the wealth tax on individuals and measures to close tax loopholes for the higher paid.

In return, an SPD government would remove the surcharge on unemployment insurance contributions which finances retraining and job creation schemes in east Germany.

A policy with whiskers, Page 8

FT WEATHER GUIDE

Europe today

An low-pressure area over southern Sweden will draw milder air over the Continent. As a result, the northern half of France, Germany, Poland, the Czech Republic and Slovakia will be overcast with rain and strong westerly winds. Behind the rain, a strong north-westerly flow will push cold and unstable air over eastern parts of the British Isles and the Benelux countries, bringing wintry showers and a few sunny intervals. High pressure over the Atlantic will bring drier conditions to western parts of the British Isles. The Mediterranean, Spain and Portugal will remain dry and sunny.

Five-day forecast

As high pressure over the Atlantic moves over western Europe on Sunday, wintry showers will move towards eastern Europe and the CIS. Next week, a strong westerly air current will push oceanic disturbances towards western Europe, bringing prolonged unsettled and milder conditions. Northern Europe will remain changeable with wintry showers, while the Mediterranean will stay dry and sunny with spring-like temperatures.

Warm front Cold front Wind speed in KPH

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Madrid	18	Paris	12	London	10
Amsterdam	10	Berlin	8	Moscow	-5
Stockholm	-10	Oslo	-12	Reykjavik	-15
... (more locations)

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سكنا من الاصل



Weekend FT

SECTION II

Weekend March 19/March 20 1994

A surprising question confronts the western powers. Should they fear Russia? The west, it seems, has come to believe that Russia is no longer a menace - after Mikhail Gorbachev opened it up and Boris Yeltsin introduced democracy. Rocky, volatile, impoverished, it may be, but not dangerous; no longer an adversary.

Since the collapse of the Soviet Union, western politicians have been asking how to use aid to encourage Russia to be friendly, democratic and market-oriented. However, in the US the debate has moved to an older question: whether the Russian bear, reborn after communism, should be feared as much as tamed.

The elections in December did most to reshape the question. The party which achieved by far the largest number of votes in the State Duma was Vladimir Zhirinovskiy's Liberal Democrats, who believe that Russia should at least reconquer the space formerly occupied by the Soviet Union.

Alexei Mitrofanov, "shadow foreign minister" for the LDP, says that "we consider the ex-Soviet republics as integral parts of Russia, and our idea is to restore them to the previous (Russian imperial) status. Not separate countries - and not even something like the Soviet republics. There will be for example no Ukraine - but provinces, as Kiev province, Donetsk province and so on - only local administration, all connected to Moscow."

The oddly named Liberal Democrats are not the only Russians to hold such view. The powerful Russian Communist party and many other groups inside and outside the parliament have also founded their popular appeal on the aggressive reassertion of Russian power in the "near abroad" - the revealing appellation for the former Soviet states.

They are the inheritors of a massive wave of popular revulsion against the arrogance of the west, the impoverishment of Russia and, most of all, the sudden estrangement of more than 25m Russians living in the "near abroad" from a shrunken motherland.

They are prey to theories of conspiratorial domination and control whose defining points can appear to be plausibly anchored in reality. Alexander Prokhanov, whose weekly "DEN" was the bible of the nationalist movements and which has appeared again in a new guise after being banned, is the most talented of these theorists.

He says: "It's quite simple. The US is exercising its dictatorship over the domestic and foreign policies of Russia, over her cultural and ideological policies. So Russia's foreign policy in all regions of the world must match the national interests of the US in these regions."

"America's policy towards the geopolitical space known as the Soviet Union amounted to seeking its dismemberment and undermining Russia's potential, then keeping this potential at a safe level for America. In these aims (President Boris) Yeltsin and (Foreign Minister Andrei) Kozirev have been accomplices."

These are not the voices of executive power in Moscow, but they are the voices of influence and of a powerful strand of popular protest. Both before the December elections and more obviously after, the executive power has shifted to accommodate the nationalist revival.

Kozirev has moved furthest: from the too-unfriendly westerner he was when he came to office at the end of 1991, he has

Beware the sickly Russian bear

become a nationalist statesman. He is not afraid of out-flanking Zhirinovskiy on the need to keep the Kaliningrad enclave Russian. He has been threatening on Ukraine and has allowed it to be thought he wanted Russian troops to remain in the Baltics indefinitely.

In more considered public voice, an article he wrote a week ago in the daily *Izvestiya* underscored that "Russia is doomed to be a great power" with interests which conflicted with those of the west - but that these conflicts could be managed peacefully as conflicts between friendly states everywhere.

The devils lie in the details of what it means to be a great power.

For Andranik Migranyan, one of President Yeltsin's most publicly visible advisors, Russia "is a big power, economically stronger than any of its former republics". In relation to the "near abroad", he points out that Russia has a very serious interest: the Russians living outside the Federation; it needs access and routes to the Baltic and other seas through former republics; it needs to ensure security.

"All of these factors demand that Russia become a core for the reintegration of this space. Without this (reintegration) we can get many clashes, fights and wars - and we already have them."

Thus Migranyan suggests at the pressure Russia can bring to bear on the sur-

Should the west spoon-feed its old adversary; should it 'cuddle up to Yeltsin'? Or should it treat Russia as a serious country with its own serious national interests? John Lloyd reports



rounding countries now struggling to establish viable statehoods.

Economically, Russia dominates all but the lucky few which have substantial resources, such as Kazakhstan, Azerbaijan and Turkmenistan. It has proposed a rubble zone to bind together again states whose links remain strong: but as the squeeze upon economies gets tighter, the criteria for entry also become tighter.

Last week, the governor of the Central Bank of Belarus - the Slav state which has sued for an economic union with Russia once more - said that Russia wanted complete submission to central economic

and financial policy. Belarus is so prostrate and so politically inert that Russia may get it. If so, it will be a template for other economies - and the prize would be Ukraine, whose economy is in full collapse.

Militarily, Russia has bases in every one of the former Soviet states except Lithuania and Azerbaijan (and it is likely to get its bases back in the latter before long). Armies have "kept the peace" in Georgia, Armenia, Moldova and Tajikistan - sometimes using, as Sergei Karaganov, a presidential advisor on foreign policy, wryly admits, "nineteenth century methods".

In Georgia, the Russian army was decisive in first destabilising, then (when he had come to heel) underpinning, the position of Eduard Shevardnadze, the head of state; in Tajikistan, the regime would fall without it; in Moldova, the 14th army's presence protects the interests of the majority Russian speakers on the left bank of the River Dniestr and effectively divides the country into two. Especially in Moldova and Georgia, where Yeltsin gave assurances which the army later ignored, it seems as though the army is conducting its own foreign policy.

Politically, the great wave of national-

ism which swept through the Soviet Union between 1989 and 1992 has all but exhausted itself - except in Russia. Non-Russian nationalism in the other republics was also anti-Russian nationalism. So the Russian democrats were unable to cement alliances with nationalists in those other republics.

Nationalism is now replaced with exhaustion in many states (the Baltics are an exception: they remain strongly independent and in the case of Latvia and Estonia, strongly anti-Russian). The support for nationalist politicians has declined everywhere, including in Ukraine.

The new state elites have been unable, some unwilling, to develop the attributes of statehood. There is some force to the comment of Sergei Stankevich, one of the leaders of the centrist Party of Reconciliation and Accord, that "it is their choice to come to us, not ours. We simply open our

doors to our neighbours: you cannot interpret this as imperial behaviour".

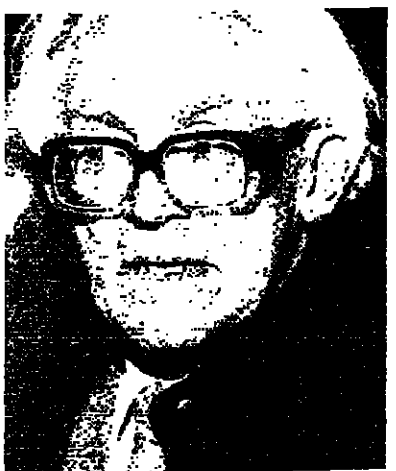
But that is precisely how an increasingly influential swathe of western elite opinion is interpreting it. Henry Kissinger, the former US Secretary of State in articles and speeches; former National Security Adviser Zbigniew Brzezinski in a widely quoted article published in *Foreign Affairs*; the influential columnist William Safire; the former head of the US National Security Agency General William Odom - all of these are actively propagandising against (as they represent it) a US-led, western policy of putting Russia first, cuddling up to Yeltsin, letting down the East Europeans and other former Soviets, and pretending there is a partnership.

In New York, Dr Kissinger says: "We are dealing with Russia not as though it were a serious country with its own serious

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The Long View/Barry Riley

Debatable dividends



An increase of 50 per cent in the dividend of the UK merchant bank Schroders this week, though scarcely typical, has provided a reminder that dividends are showing unexpected buoyancy this year. Although earnings cover has become thin, by historical standards, British companies are ready to be generous.

At present the income on the All-Share Index is showing growth of 4.6 per cent on a year ago, adjusting for the negative effect of last year's dividend tax changes, and the growth rate could expand by a percentage point or two as the results season progresses. This is not bad when, for comparison, pay is rising at only 3.4 per cent in the UK and underlying retail price inflation is a little less than that.

Elsewhere in Europe shareholders are not so fortunate. In Germany, for instance, the big companies are displaying their traditional readiness to cut dividends in bad times: the big chemical groups BASF and Hoechst have both trimmed by 20 per cent or so.

During the past five years, since shortly before the recession began to bite, UK dividends have grown by a cumulative 7 per cent in real terms, while capital investment in real terms in the UK has fallen by 14 per cent. Profits are heading this year towards 16 or 17 per cent of GDP, close to a post-war peak, and yet output is no higher than four years ago and imports are rising rapidly. Has British short-termism come to dominate once again, with companies trying to keep shareholders happy rather than invest in the future?

There is no simple trade-off here, because companies are becoming quite flush with funds. Indeed, many forecasters expect that the corporate sector will begin to expand its investment again quite markedly this year. But will companies find opportunities that are profitable enough? Once more there are signs that the British economy is

looking less vigorous than are British firms. Too many chief executives, it seems, are looking for a 30 per cent return on equity, even though inflation is much lower than it used to be.

Consider the puzzle of the so-called output gap, which economists now attempt to measure rather as the old theologians calculated the number of angels on a pinhead. It is the gap between current output and underlying productive capacity, and allegedly explains the downwards pressure on prices (with factory gate wholesale prices rising by only 3.3 per cent in the year ended February, down from 4 per cent-plus reached at one stage last year).

But this output gap co-exists rather oddly with the £13.4bn trade gap in visible goods last year. You would think that if there was surplus capacity there would tend to be production in excess of domestic requirements. Soon the government may start to become restless as it realises that import volumes are rising (at more than 3 per cent a year) and that the balance of payments deficit may threaten sterling. It will become agitated if capital investment fails to recover and "restructuring", not to mention "downsizing", continue to be the buzz words in British boardrooms.

If capacity is being sidelined it must be that it is not regarded as profitable enough to be operated at current or immediately prospective price levels. For a time, British industry may continue its conjuring trick of generating more profit out of scarcely rising output. But an attempt to achieve much higher rates of return than are required by competitors in countries such as Germany will inevitably lead to a loss of market share in both the home and export markets - unless there is a further substantial sterling devaluation, which still seems unlikely.

International economists do a lot of work on the competitiveness of labour forces, and how expensive workers in Germany, costing \$35 an hour, will tend to lose out to Chinese workers costing \$3 an hour or less. Perhaps more investigation could be done on how share-

holders making ambitious demands can price their companies out of more competitive market sectors.

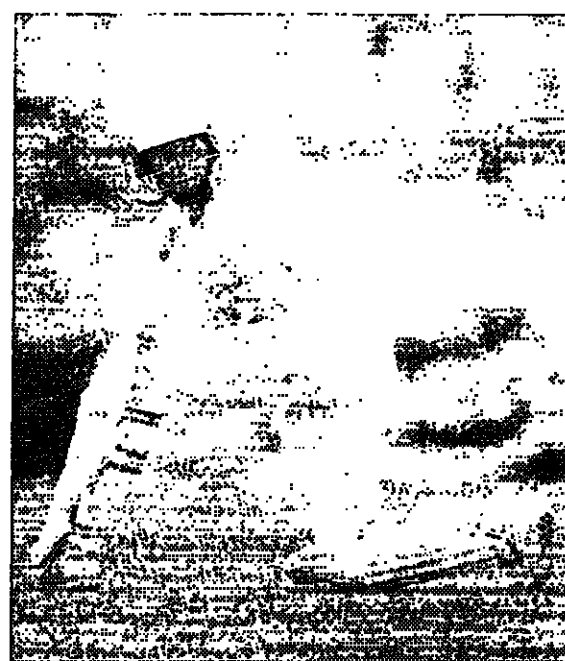
We are coming up to a tricky period of transition for the British economy. Consumer spending has been driving the recovery so far but domestic consumption is already very high and if the next stage is to be healthy there must be an emphasis on capital investment and exports. But if domestic companies have excessive expectations of profits, because they seek to satisfy the ambitions of pension fund investors, who have enjoyed dividend growth of 10 per cent and a total rate of return of 22 per cent on UK equities annually on average over the past 15 years, they may be scratching around for opportunities. There is a limit to the availability of newly-privatised monopoly utilities with huge cost-cutting potential.

In an open economy, of course, greedy domestic investors will be outbid by foreigners. We have seen key industries such as motors (Rover, for instance) and semiconductors drift into overseas control. Perhaps we can afford to leave the duds and the marginal cases to overseas owners. With luck, they will continue to run the operations in the UK, at least for a while. But the persistence of a substantial trade gap through a deep recession indicates a chronic shortage of available capacity.

There is a mirror image contrast with Japan, where in the late 1980s vast amounts of capital became available to industry at almost zero cost. The result was an explosion of investment in low return productive capacity and today Japan runs a trade surplus of \$140bn a year. This is not an example to follow either, because economic logic requires that the yen must be squeezed up to ruinous levels so as to force the closure of capacity and restore some sort of equilibrium. Investors, meantime, have lost heavily.

In the UK, in spite of recent setbacks, stock market investors are sitting pretty by comparison. Managers of UK companies are making the assets sweat. But soon the government could be sweating too.

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MARKETS

London

If only he'd gone to Dallas

Roderick Oram

For some in British business, this was a week for moving on. Shareholders of British Aerospace met on Wednesday to vote on the sale of Rover to BMW. Some protested outside the meeting with a 23-year-old Land Rover and a "Sale of Rover: Industrial Dunkirk" banner. Others protested with equal passion inside, voting 111 to 42 against the sale. But the proxies, mostly from institutions, swung it for a final count of 119.6m for the sale and 2.9m against.

Of the board members who took the flak from shareholders, John Cahill, chairman, is retiring to Florida with £3.5m remuneration and George Simpson, Rover's chairman, is off to be chief executive of Lucas in Birmingham.

If only Alan Greenspan, chairman of the US Federal Reserve Board, had gone to Dallas yesterday as planned, markets in the US and abroad could have ended the week on a quieter note and faced next week with less trepidation.

The last time he cancelled a speech there to attend to pressing business in Washington was Black Monday, October 19, 1987.

His summons to the White House yesterday sent rumours coursing through global markets. Was President Bill Clinton trying to dissuade the Fed from raising interest rates? Or was the Fed trying to prepare the politicians for a big rate increase?

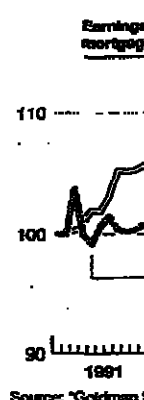
The answer will not be known until after next week's meeting of the Fed's policy-making open markets committee. But the prospect of tighter US monetary policy, following reports this week of very strong US economic growth but subdued price pressures, knocked markets in London more than in New York.

All week in London, gilts performed worse than bonds abroad, ending the week down some 1.5 per cent. The main domestic economic news that harmed gilts was an unexpected pick up in the growth rate of average earnings in

Life after the tax hike

Indices released

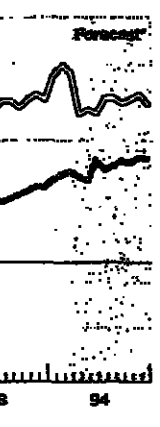
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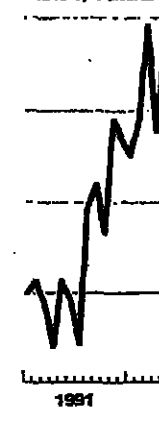
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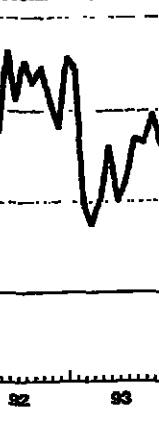
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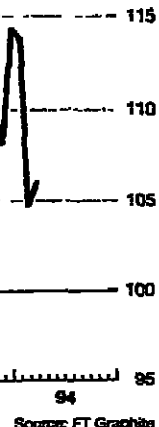
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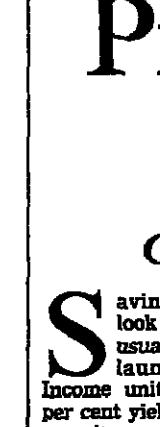
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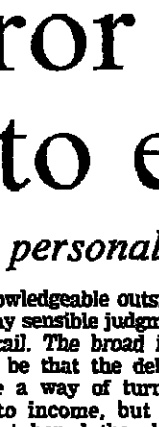
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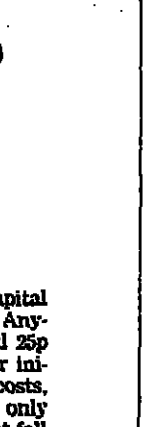
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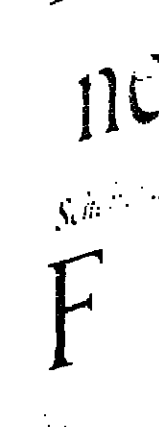
Source: "Goldman Sachs"



Source: "Goldman Sachs"



Source: "Goldman Sachs"



Serious Money

Pilot error brings F&C to earth

Gillian O'Connor, personal finance editor

Savings schemes that look too good to be true usually are. When F&C launched its High Income unit trust, with a 10 per cent yield, just over a year ago, it seemed undeniably attractive.

True, the company itself pointed out that the yield was not guaranteed. And it said, openly, that investors were sacrificing most of their hopes of capital growth in order to enjoy this yield. But investors loved it.

Many were despairing refugees from banks and building societies - and they had good reason to despair. For as the chart on page III shows, their income was being squeezed, not just in nominal terms but also in real (inflation-adjusted) terms.

The trust was structured cleverly so that it could be tucked inside a general personal equity plan. So investors could enjoy the income free of tax. Quite how the fund managers achieved all this was a bit harder to work out.

Just over half of the money went into blue chip UK shares - which gave the fund its general PEP credentials. The bulk of the rest went into "designer debentures" - short-term loans to blue chip borrowers which came with a bunch of premiums from selling options "embedded" in them.

The option element performed the miracle of getting the yield on the debentures up to 25-30 per cent. Repeat: 25-30 per cent.

The snag was that capital losses were also effectively "embedded" in the debentures: that is, they were likely to produce a capital loss on redemption. The rump of the fund was kept in cash, with part going to buy FT-SE 100 put options which would act as a safety net if the market fell out of bed.

If some of this leaves you boggling, you are not alone. Few people understood even the broad principles of the fund. And it was impossible for

even a knowledgeable outsider to make any sensible judgment on the detail. The broad idea seemed to be that the debentures were a way of turning capital into income, but the management hoped the share portfolio would produce compensatory capital growth.

F&C was, however, pretty clear about what the effect of any future changes in interest rates would be: "The fund's income will be lower when interest rates are low. But Foreign & Colonial's calculations show that the projected 10 per cent income return will be achievable with base rates in the range of 4 per cent to 14 per cent. The income generated by the fund will not be affected by base rate cuts within this range."

Not an actual promise, but it is hardly surprising that this statement acted as a clarion call to the financial advisers who made so much money selling the High Income fund. In just over a year, the F&C fund pulled in £500m, a remarkable amount for any new trust.

Another fund management house, Morgan Grenfell, produced a copycat product which has attracted £40m. But a third group, Save & Prosper, which had been planning to enter the market, pulled out suddenly in December. It explained that it was worried that a fund yielding as much as 10 per cent would devour its capital in order to meet its income target. It reckoned there was a 50/50 chance of investors losing half their capital in seven years; the rest would then evaporate even faster.

This week, even though base rates are 5½ per cent, F&C announced plans to cut the High Income fund's yield from 10 to 9 per cent at the end of June. Its main explanation was that the reduction in money market rates had reduced the level of option premiums, and that it was expecting rates to fall further.

Well, yes. But what really

leapt to the eye was the capital performance of the units. Anyone who had paid the full 25p to buy the shares on their initial launch would, after costs, this week have got back only 22.6p. So, a near-10 per cent fall in capital value neatly cancels out the 10 per cent income received over the year.

Roughly half the fall can be put down to the initial charge on the fund. But the rest is genuine capital loss resulting from the managers' chosen strategy. The Morgan Grenfell units have also shrunk in value since their launch in September. The stock market as a whole has risen over the period: the FT-SE 100 index, which includes the major companies in which the F&C fund invests, is around 15 per cent higher than when the fund was launched.

To be brutal, it has been a very disappointing investment. That, though, is history. What investors want to know now is whether they should cut their losses, or whether F&C has just been going through a sticky patch.

Some brokers have started suggesting investors should switch into equity income funds, which have produced far better total returns recently. But switching is always costly. And it is by no means certain that stock markets will provide such a favourable background for other funds over the next year.

Does the F&C fund warrant a cold shoulder in its own right? Here are two points to ponder.

First, the fact that some capital has been lost already makes it even harder for F&C to produce the goods in future. It will have to run ever faster to stand still. Getting a 9 per cent yield this year could prove as costly in capital terms as getting a 10 per cent yield last year. Second, it is hard to feel comfortable relying on a black box formula that has produced a crash landing on its maiden flight.

Well, yes. But what really

HIGHLIGHTS OF THE WEEK

	Price	Change	1993/94	1993/94
	YTD	on week	High	Low
FT-SE 100 Index	3218.1	+26.2	3520.3	2737.6
FT-SE Mid 250 Index	3865.6	+8.2	4152.8	2876.3
Barclays	522nd	+41%	682	362
Euro Disney	41294	-12%	1180	268
Gold Greenleaf Trust	184	-55	295	183
Graham Group	216	+13%	218	195
JBS	195	+15	215	162
Leamington & Burchett	96	-44	365	95
Legal & General	502	+35	547	408%
National Power	470	+33	510	273
Persimmon	313	-24	382	197
Sainsbury (A)	388	+28%	584	342
Schroders	1169	+116	1460	457%
United Biscuits	348	+19	437	324
Wolseley	935	+40	975	533

January, a factor that could delay UK interest rate cuts. For the first time in many weeks, however, equities managed to hold their own against a falling bond market. In spite of being badly unsettled yesterday by Greenspan and the expiration of derivatives contracts, the FT-SE 100 index finished the week up a net 26.2 points at 3,218.1.

The other key UK economic statistic of the week was the 0.5 per cent fall in retail sales in February. This weakness could be taken, however, as a positive and rational action by consumers ahead of April's tax increases. Rather than suddenly curb their spending when their pay packets shrink, they are already adjusting their budgets, argue David Walton and Martin Brookes, economists at Goldman Sachs.

Moreover, many people appear to be over-estimating

the impact of the tax increases. Once they realise the true hit is smaller, they will feel more inclined to spend. As the chart shows, Goldman Sachs is forecasting that retail sales volume has been shrinking before the tax cut but will recover quickly afterwards. Concern over spending has dragged down the general retailers sector in the FT-SE-A All-Share index.

The improvement in finances of those people in work and with a mortgage will continue, the economists believe. They are forecasting 3 per cent real annual growth in post-tax, post-mortgage income in the four years 1993-94. Thus consumer spending will rise by about 2.5 per cent this year, the same rate as last year.

Partly because of this strength in consumer spending, the main driver to the current recovery in demand, GDP will rise 3 per cent this year and next.

It remains to be seen whether the Government and the Bank of England are as convinced as Goldman Sachs about the durability of consumer spending and growth to refrain from cutting interest rates.

Recovering markets was the theme running through many results reported this week, most notably in the construction and building materials sector. Wimpey doubled its trading profits last year to £41m thanks in part to building 25 per cent more houses than a year before. The general construction sector's recovery is accelerating. Orders rose 30 per cent in the three months to the end of January from the same period a year earlier, to the best level since 1989.

Wall Street

Good news on inflation fails to lift spirits

There was plenty of promising news on inflation this week, continued signs of strength in the economy, and an encouraging earnings forecast from a big manufacturer, yet it was not enough to lift spirits on Wall Street.

If any more evidence of financial markets' jittery mood was needed, it came yesterday morning, when bond and stock prices dropped sharply after it was reported that Alan Greenspan, chairman of the Federal Reserve, had been called to see President Clinton.

Although the Fed said the meeting was routine, it was commonplace to expect a cancellation of an appointment in Texas to make it back to Washington DC in time. This prompted speculation among traders and investors that the meeting was somehow a signal that the Fed was about to raise interest rates again. Perhaps, the rumours went, the White House had got wind of plans for another monetary policy tightening, and wanted to call in the Fed chief to explain himself.

The speculation was way off

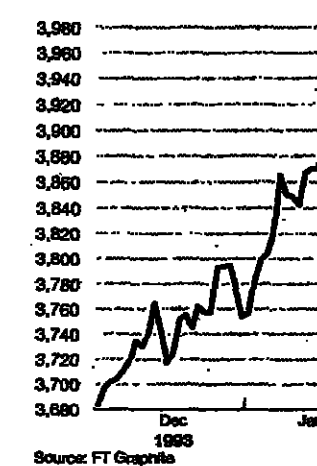
the mark. The president and the Fed chairman meet fairly regularly, and the White House said it had called Greenspan to Washington on Friday because Clinton was going to be difficult to contact over the following weeks due to a hectic travel schedule. Also, it would be extremely unlikely that if the president wanted to dissuade the Fed from raising interest rates, he would choose to do it at so public a meeting.

Yet, the speculation surrounding the Clinton-Greenspan parley was enough to take 17 points off the Dow Jones industrial average in the first few minutes of trading, and send the benchmark 30-year government bond down almost a point, pushing the yield back above 6.9 per cent.

Fortunately, once everyone had calmed down, the stock market came to its senses, and the Dow recovered its early losses. Bonds, however, remained anchored in negative territory, perfectly illustrating the mood that if the president wanted to dissuade the Fed from raising interest rates, he would choose to do it at so public a meeting.

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Dow Jones Industrial Average



Source: FT Graphics

logic. First, the February producer prices index was released on Tuesday, and it showed an increase of just 0.1 per cent in "core" producer price inflation (excluding the volatile food and energy components). Then, a day later the consumer prices index was reported to have risen by only 0.3 per cent last month, a figure that was in line with

expectations and one that put the annualised rate of consumer price inflation 0.3 percentage points below the 1993 - which was itself the lowest inflation rate recorded in years.

Finally, on Thursday, the Federal Reserve Bank of Philadelphia issued its monthly report of local economic conditions. It noted that prices of goods sold in the region had

moderated during the month. This was especially welcome news, because it was the Philadelphia Fed's warning about rising inflation in its local markets that had triggered a February sell-off of bonds.

Yet none of this was enough to lift bond market investors' spirits, and the gains Treasuries had earned midweek were quickly wiped out on Thursday and Friday. Admittedly, stocks fared better, especially in the latter half of the week, but it was clear that both markets are not going to calm down in a hurry, whatever the inflation facts say.

This week, thankfully, was not all about inflation. Secondary stocks, as measured by the Nasdaq composite index, put in a good showing. The Nasdaq composite reached an all-time high of 893.85 on Thursday, powered by strong demand for technology stocks. Traders said Nasdaq stocks had become oversold earlier this month, and with cyclical and larger-capitalisation issues languishing, investors jumped into technology company and other growth-oriented stocks in search of bargains and quick gains.

There was also some heartening news from a leading manufacturer. Caterpillar, the world's largest maker of earth-moving and construction equipment, predicted healthier first quarter earnings than it had originally estimated, and announced plans to hire additional workers to cover a surge in demand. It was the third time since November that Caterpillar has had to add to its workforce.

Ignoring inflation jitters, and the bearish bond market, this is the kind of news investors want to hear - a strengthening economy, growing demand for goods and services, an expanding labour force, and improving corporate earnings. Not surprisingly, all of this has done wonders for Caterpillar's share price. From a low 57½ last year, Caterpillar's stock has soared more than 100 per cent.

Patrick Harverson

Monday	3862.98	+ 0.35
Tuesday	3849.59	- 13.59
Wednesday	3848.15	- 0.14
Thursday	3863.14	+ 16.99
Friday		

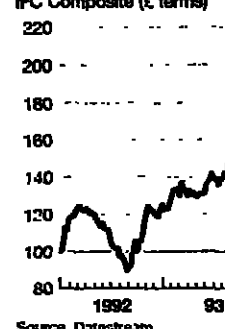
AT A GLANCE

Finance and the Family Index

Investing for income	III
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Fee based advisers: Shepherd Associates	VI
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Personal Pensions: Norwich Union	VIII
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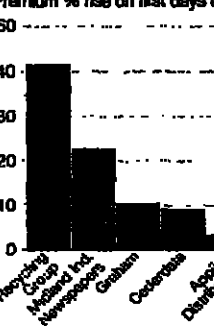
Emerging markets

IFC Composite (£ terms)



Recent new issues

Premium % rise on first days trading



Fall in world's emerging stock markets

The world's emerging stock markets continued the fall that began last month. The setback affected even Latin American markets, which had taken over from south east Asia as investors' favourites - though some individual markets bucked the declining trend. Michael Hughes, of BZW, said that although the emerging markets bubble has not burst, there has been a clear change in attitude by investors.

Debutantes find favour

As House of Fraser led the latest batch of new issues towards the stock market (see page IV), this week's debutantes won a generally favourable reception. Frontruns on the first day's trading ranged from just under 4 per cent for Applied Distribution to more than 40 per cent for Waste Recycling.

Hoare Govett sterling bonds

Hoare Govett is planning an issue of sterling bonds, with additional income generated by Walther Financial Corporation, a Chicago based money manager which boasts annual returns of 47.6 per cent over the last 10 years. Eighty per cent of the money invested is used to buy triple-A rated sterling bonds for collateral, while the remaining 20 per cent is managed by Walther, which has a technical "quantitative" management approach. According to Hoare Govett, the worst case is that the investor gets half the interest normally paid on a triple-A rated sterling bond, but based on past performance returns would be close to 20 per cent.

Legal & General bonus rate cuts

Legal & General has cut all its with-profits reversionary bonus rates but those on terminal bonuses are mixed, with some being held, others cut and some increased compared to 1993 rates. The maturity value of a 25-year with-profits endowment policy, taken out by a man aged 29 paying £30 a month, will be £22,043 on April 1, a slight rise from £20,112 last year. Maturity values for 10-year endowments are virtually unchanged while the value of a 15-year endowment on the same assumptions will be lower at £14,237 compared with £14,742 last year.

Smaller companies decline again

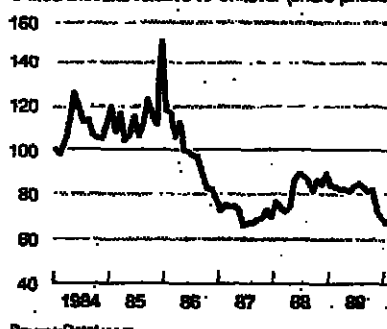
The Hoare Govett Smaller Companies Index (capital gains version) fell 0.6 per cent to 1812.96 in the week to 17 March. The FT-SE-A All Share Index increased by 0.3 per cent over the same period.

The Bottom Line

Is UB a crumbling cookie?

It pays to be big

United Biscuits relative to Unilever (share prices)



Source: Datastream

- in which UB is market leader - was up 50 per cent. With inflation running at around 2 per cent, passing on that kind of increase was not feasible.

In any case, he says, the competition is not so much international giants as small

domestic operators trying to get bigger. Around Europe, UB is not dominated by big companies. In biscuits, it is number one in the UK, Holland, Denmark, Finland, Hungary and Poland. Europe's biggest biscuit maker, BSN, of France, is No 1 in France

and Belgium and, says UB, almost nowhere else. "Biscuits are BSN's least profitable part and are a low priority for them," Nicolli says. "They'll be reluctant to divert funds to duff us up."

As for recovery in the US, it remains to be seen how sustainable it will prove. The restructuring plan has been produced by a new management installed last year. The old team, Nicolli says, had a volume-driven strategy which, although ideal in the 1980s, was quite wrong for the 1990s.

Certainly, a recovery in the US is of central importance to the group. It must expand internationally; but, given the pressures in the UK, the domestic business cannot fund such expansion on its own. It is in the international field, though, that Nicolli makes his strongest case. Four

years ago, UB had no significant presence outside the UK and US. Last year, continental Europe and the Asia/Pacific region produced 22 per cent of group profits. Since UB cannot afford to match the likes of Nestlé in the breadth of its investments, it is focusing on Asia and central Europe. It has 5 per cent of the biscuit market in the Shanghai area. It manufactures in Japan, the Philippines, Malaysia and Indonesia. As for eastern Europe, its dominance in Hungary and Poland speaks for itself.

Nevertheless, it remains worrying that, in all its chief markets, UB is up against companies which, as corporate entities, are several times its size. This could help to explain why UB's shares rose on Thursday in response to a headline fall in profits of 28 per cent.

If the company cannot succeed on its own, the assets which it has assembled so painstakingly will be worth a good deal to someone else.

Tony Jackson

FINANCE AND THE FAMILY

Investors who need income

Scheherazade Daneshkhu looks at the snags

For many investors, a decent income is a priority – but getting one has become increasingly difficult since the steep fall in interest rates over the past 18 months. Providers are finding the going tough, too. This week, Hypo F&C's High Income unit trust, which has pulled in more than £500m since its launch on the back of an offer to pay an annual 10 per cent, said it would cut the payout to 9 per cent from June (see Serious Money on page 11).

Since the launch of the trust in February 1993, there have been two cuts in base rates, taking them from 6 per cent to 5.25 per cent. British interest rates are bottoming out, but many experts believe there will be another rate cut this year. This would make it even harder for income-seekers to live off their savings.

There are any number of products designed to meet the need for income, but they can be divided into three types of investment: cash, bonds and equities.

Deposits
We list the highest bank and building society rates weekly in our highest rates table (page 110). The highest returns are on the larger deposits. Norwich & Peterborough's postal account is paying 7 per cent gross on £50,000, while some notice accounts will pay similar rates on smaller amounts.

Rates are low for those with savings under £5,000: Halifax, the largest building society, is paying just 3.5 per cent gross on £1,000 and 3.75 per cent gross on £2,500.

Postal accounts tend to pay the higher rates – but although they are described as instant access, it will usually take a week before you can get your hands on the cash.

The trouble with chasing rates is that they can change rapidly. And they will fall again if base rates are cut once more. Moreover, although most people think of a society as "safe", because the nominal value of its capital remains the same, they tend to ignore the effect of inflation on that capital.

This is not as great a problem today, with the retail price index rising at 2.5 per cent in the year to January, but even at 4 per cent – the top of the government's target range – the value of money halves in 18 years. The chart (right) shows how significant the effect of inflation can be in determining the real rate of return.

Bonds
These are the traditional investment for income-seekers in most countries. At Thursday's close, the redemption yield on UK government bonds, also known as gilts, was 6.67 per cent over five years and

7.33 per cent over 10 years. Riskier bonds, such as those issued by companies and some foreign governments, will pay higher yields. The drawback with bonds is that you run the risk of capital loss if their price falls. And, if you buy a gilt for more than face value, you are certain of a loss if you hold it until maturity.

Equities
Over the long term, equities give protection against inflation and offer the potential for much higher capital gains than from cash or bonds. But the volatility of the markets means you cannot regard equities as a straightforward alternative to a building society. The present yield on the FT-SE-100 All-Share index is only around 3.5 per cent; but by choosing companies which pay higher dividends, such as utilities, you can achieve higher rates.

Income shares of split-capital investment trusts are aimed specifically at income-seekers. Instead of issuing just one type of ordinary share, split-capital trusts issue two or more types; these lay claim to different parts of each trust's assets and dividends. Income shares receive the majority of the trust's dividends but are at the back of the queue for capital gains. At present, they have an average yield of about 11.6 per cent. But they carry the risk – in some cases, the certainty – of capital loss.

The total return theory
The most common way to seek an income is to look for investments with the highest interest rates; the snag is that, usually, the highest returns are found on the riskiest investments. But those people with large portfolios and a firm grip on their finances can afford to think about income in a different way. By investing for total return – both income and capital growth – they can take some of the annual growth as income, with the advantage that it will be taxed as capital gain. If the amount taken falls within their capital gains tax allowance of £5,000 (£11,000 for a married couple), there is no CGT to pay.

Richard Boyton, of Boyton Financial Services, says: "Assume that someone has invested £10,000 in 10 £1,000 shares and, after one year, the value has increased to £15,000. Now let us assume that he has not used his CGT allowance but wishes to enjoy 'income' of £1,500. He sells one share for £1,500, of which £1,000 is the original capital and £500 is gain. The £500 would not be subject to tax (since it falls within his CGT allowance) and so the whole £1,500 would be tax-free in his hands."



Robin Angus, director of equities at NatWest Securities, is another enthusiast about the total return theory. In the company's latest Investment Trust Annual Review, he writes: "I simply cannot understand why people chase income through buying investment products offering fancy yields when, through investing for total return and realising some of their capital gains, they could satisfy their financial needs while getting a higher total return and paying less tax into the bargain."

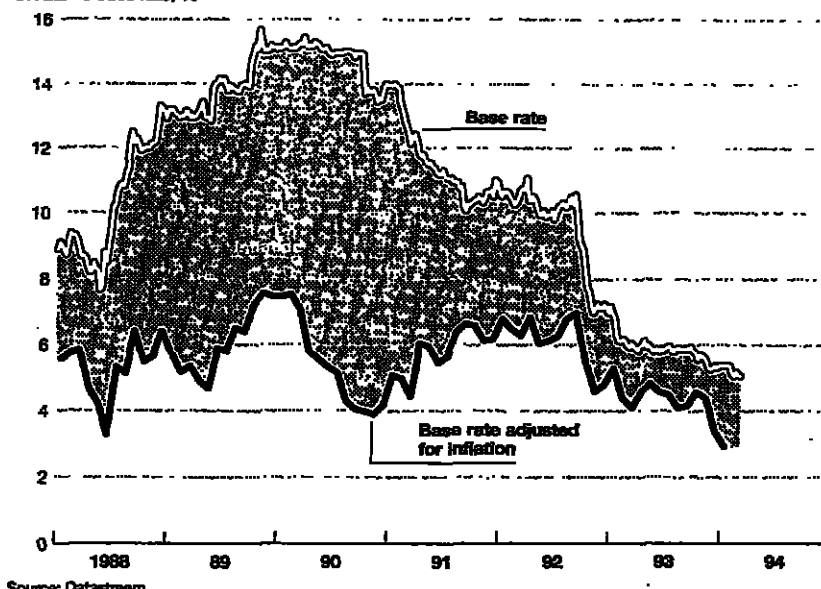
The danger with turning capital into income is that you can overdo it. You could simply be returning capital to yourself in the form of income. For the system to work, the investment needs to grow at least as much as the amount being taken out annually. Furthermore, dealing costs will reduce the return.

There are packaged products making use of the idea. Ivory & Slime has an investment trust which makes use of the annual CGT exemption. The trust sells a proportion of an investor's holding automatically each year in order to generate monthly income. The first £5,000 of income from these sales is tax-free. The net asset value of the trust increased by 16.9 per cent in the six months to its year-end on December 31, and the board has decided it can afford to increase the annual return from 7 to 7.15 per cent from April.

James Capel's Generator personal equity plan, and Newton's Distributor fund, are unit trusts which allow the investor to choose the annual level of income they wish to withdraw up to a maximum of 9 per cent (Newton) and 7.5 per cent (Capel). Both aim to replace the capital with-

The big squeeze on incomes

UK banks base rate, %



Source: Datastream

drawn but cannot guarantee to do. By investing through a PEP, the investor does not need to worry about CGT or income tax but faces initial and annual charges of 5.25 per cent and 1 per cent (Capel) and 6 per cent and 1.5 per cent (Newton).

The advantage of these Peps is that, theoretically, the investor is in control so that, if the stock market falls, he can stop

taking income in order to minimise capital erosion. The danger is that he becomes dependent on the income stream.

The total return theory works in a rising market or if capital gain has built up untouched over the years. But great care is needed not to withdraw too much capital, undermining the scope for future growth.

What the experts say...

PETER SMITH, of financial adviser Hill Martin, believes the total return theory is suitable only for those with a large portfolio. Others could easily run the risk of simply eroding their capital, especially in a falling market.

His favourite recommendations for income-seekers are the income shares of split-capital investment trusts. Exeter High Income is a unit trust which invests in these and has a yield of about 8.5 per cent gross. "You can still take 5-6 per cent net from insurance bonds if you are a nervous equity investor and European bonds are paying 6.5-7 per cent gross," Smith says.

Smith advises those who still keep a large amount of money in the bank to transfer it into a building society postal account, at least. "There is not much wrong with cash at the moment. If inflation was high, it would be a different matter."

To those approaching retirement, he says: "People tell you not to buy an annuity at the moment on the basis that interest rates are supposed to shoot up again. I just don't believe this will happen. You can choose an escalating annuity which will guarantee your income and pay an increasing amount each year."

ROBERT NOBLE WARREN, of financial adviser Murray Noble, believes that since most funds cannot beat the average stock market indices, an index fund, which aims simply to track the indices is a good idea, particularly since charges are lower than on other funds.

His advice to income-seekers: "Buy index funds with low annual charges, such as Morgan Grenfell's UK Tracker; pay attention to tax-favoured investments and tax-saving arrangements so as to use all personal allowances (you can save 1 per cent a year by doing so); and consider spreading the income risk into other European countries such as French Eurobonds, yielding 6 per cent or more, and Spanish deposits. Fidelity Money Funds (Bermuda) Spanish Peseta has a yield of over 7.5 per cent."

He adds: "We still favour split-level investment trusts if you really have to seek out a high income, at the risk of capital. The M&G Dual yields 28.6 per cent with capital depreciation, while New Thymorion is on 10.4 per cent."

"We don't expect dividends to increase much, so we don't think there is any way round taking the gains from the portfolio to make up income. So, if you have to get over 5 per cent income, you are going to have to take some of it from capital."

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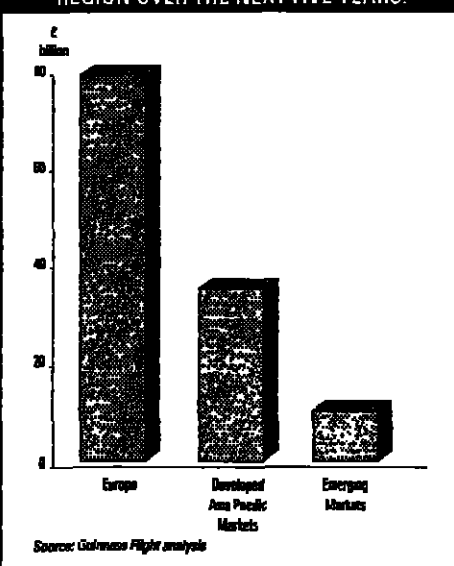
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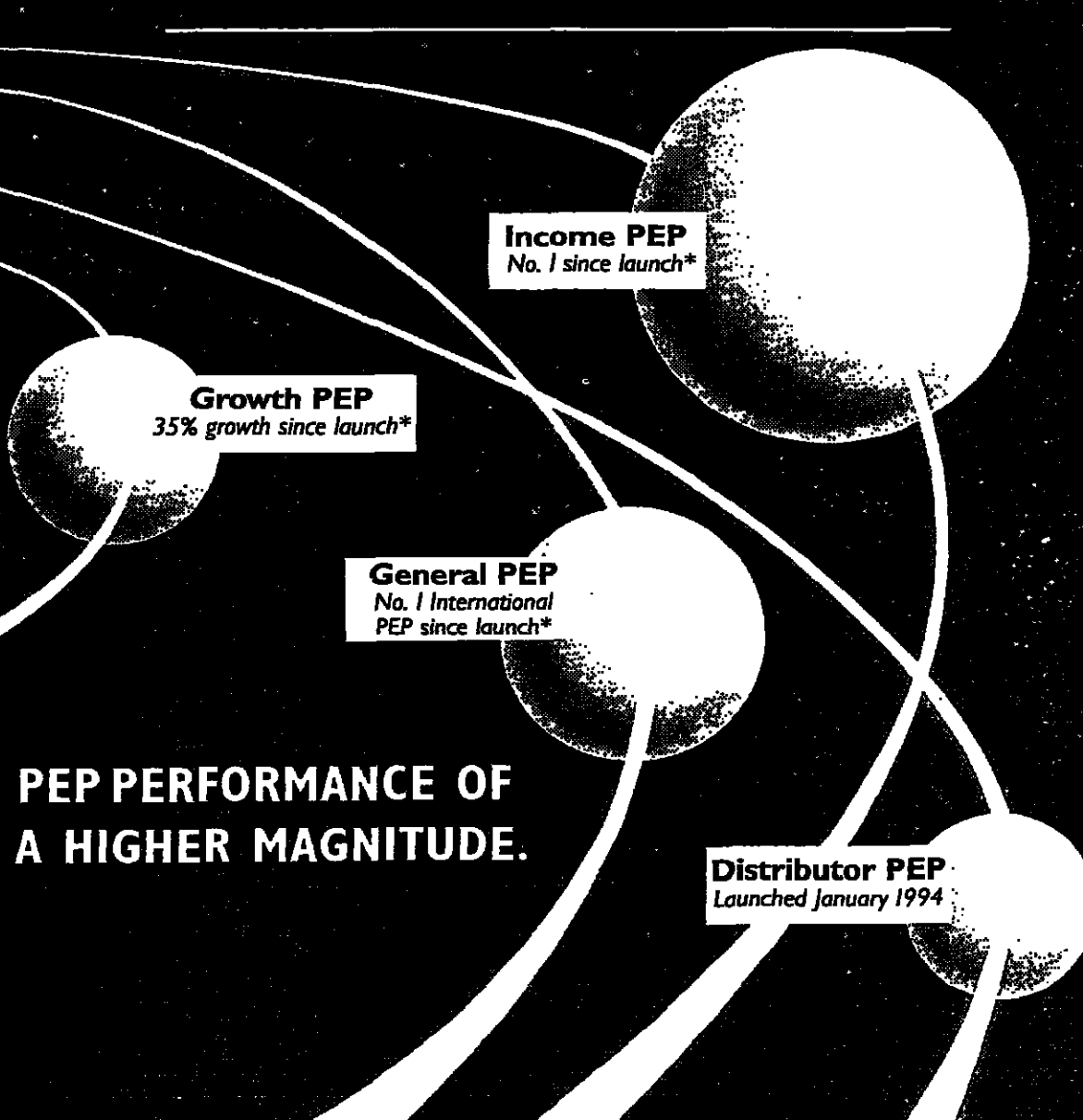
ESTIMATED VALUE OF PROBABLE PRIVATISATION ISSUES BY REGION OVER THE NEXT FIVE YEARS.



Source: Guinness Flight analysis

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FINANCE AND THE FAMILY

If you do not want to pay value added tax on fuel for the next year or two, you need to move quickly. By now, most people know that if they have spare cash, they can use it to pay in advance for gas, electricity, oil or coal supplies, so avoiding VAT of 8 per cent from next month and 17.5 per cent from April 1995.

This is because VAT is charged at the rate which applies on the date of invoicing or the date of payment, whichever is the earlier. If you pay before April 1, the rate is zero, so no VAT need be paid. But the utility and fuel companies need time to process cheques, so do not leave it until the afternoon of Thursday, March 31. To be safe, your payment should reach the relevant company within the next week.

Some electricity companies have been sending out blank bills to make it easy for customers to pre-pay as much as they like. If yours is not one of them, all you need to do is send a cheque with a covering note giving your name, address and electricity or gas account number. You should make clear that the money is to be treated as a pre-payment for future supplies.

If there is a chance you could move house before the pre-payment has run out, check that the power company would be willing to refund the balance.

A few eager customers are reported to have paid for more than 10 years' worth of fuel in advance. But have they thought through the implications? The two questions you should ask are:

■ How much money will I save by paying in advance?

■ How much will I lose by not keeping the money in, say, a building society and earning interest on it?

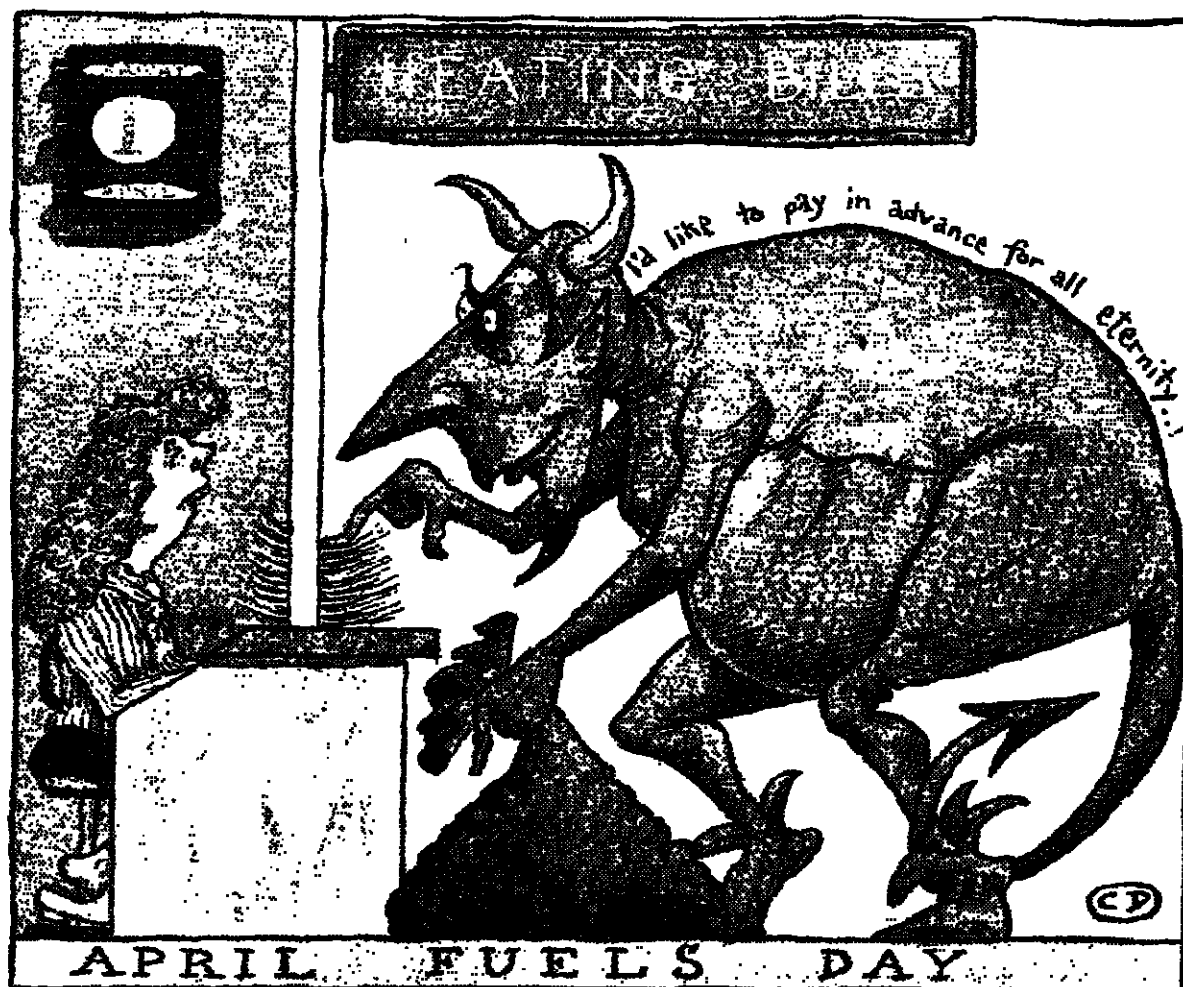
The further in advance you pay, the longer the money could have been earning interest and the smaller the savings become. But current interest rates are low. Many building society accounts pay only 3 or 4 per cent. The better ones pay perhaps 6 or 7 per cent on larger amounts. Since this is taxable for most people, the actual interest received is 25 or 40 per cent less.

In simple terms, this means that a saving of 8 per cent VAT on a year's worth of fuel is bound to be worth more in cash terms than the interest from keeping the same amount on deposit at present interest rates.

When VAT at 17.5 per cent arrives from April 1995, the potential savings will be much greater, but to avoid the tax altogether, pre-payment would have to be made before April 1 1994. Thus, more than a year's interest would be lost. This makes it more complicated to work out the advantages of paying in advance.

Accountant Stoy Hayward has taken the example of a family with fuel bills of £1,300 a year, and calculated what rate of interest it would need to be earning on its savings, tax-free, to outweigh the advantages of paying in advance for the next eight quarters.

The firm has taken into account the likely seasonal fluctuations in fuel bills



Dodge that VAT

But move fast to pre-pay your fuel bills, says Bethan Hutton

— higher accounts can be expected in February and May than August and November.

The results show that the family would need to be earning 19.2 per cent tax-free on its savings for it not to be worth paying the second quarterly bill in advance. But by the eighth quarter, in February 1995, this has dropped to 8.8 per cent and the figure would continue to decline after that.

This is only an example, of course, and the equivalent figures in your case will vary, depending on such factors as your fuel consumption and timing of bills. But the general conclusion is that, although 1995 interest rates are an unknown factor, it is unlikely to be worth paying bills much more than two years in advance.

If you cannot afford to pay more than one year's bills in advance this month, you will have a second chance to make savings in March 1995, before the

Assumed due date of fuel bill	Fuel bill (estimated)	VAT saved	Interest at 5.4% compound	Gain from prepayment
May 15 1994	455	12.13	(4.10)	8.03
August 15 1994	130	10.40	(2.92)	7.48
November 15 1994	260	20.80	(8.36)	11.44
February 15 1995	455	36.40	(22.55)	13.85
May 15 1995	455	50.80	(28.68)	22.12
August 15 1995	130	22.75	(10.10)	12.65
November 15 1995	260	45.50	(23.90)	21.60
February 15 1996	455	79.62	(48.30)	31.32
Total	2,600	278.40	(150.08)	128.31

Source: Stoy Hayward. Calculations of estimated net gain based on annual fuel bill of £1,300.

higher VAT rate comes into force. The difference between 8 and 17.5 per cent means that it should still be worth making advance payments at the lower rate — unless interest levels have shot up by then.

Meanwhile, there is good news for council tenants whose homes are in a district heating scheme where fuel is

included as part of the rent and there are no separate meters. The government has decided it cannot apply VAT to such schemes as councils are VAT-exempt and it is not possible to work out the liabilities of individual tenants. So, members of such schemes will be able to avoid the tax without even trying.

Revenue ban casts doubt on annuity

Investors face problems, reports Gillian O'Connor

One of last year's most innovative annuity products was taken off the market in a hurry this week because of an Inland Revenue ban. "Managed" or "flexible" annuities were designed with relatively affluent customers in mind and allowed them to do two things.

First, they could exercise considerably more control over the investments on which their pension depended, and on the amount of income they drew each year. Second, if they wanted to buy a conventional annuity, providing a pre-determined annual income, they could do so at a time of their own choosing when they thought they would get favourable terms.

The latter point is particularly pertinent. Falling interest rates have meant that many new pensioners taking out a conventional annuity are getting a considerably lower annual income than they would have a couple of years ago. The only company to have launched a managed annuity scheme is Equitable Life. But Provident Life had a similar annuity ready to go and several other life insurance companies planned to join the fray. It is not yet clear if the insurance industry will be able to adjust the scheme in a way that gets Revenue approval.

Equitable Life is determined to try. It stopped selling new flexible annuities this week but has written to the hundreds of people who have bought one. In the letter, it says it does not agree with the Revenue and will contest its decision. It will continue to pay out the annuity instalments due for the time being.

These customers obviously are going to have a fraught period ahead as they wait to discover if their contracts are valid. Other people with a problem to sort out in a hurry are those due to retire in the very near future and planning to take out a flexible annuity.

Everyone with a personal pension, and all members of

Compulsory purchase level annuity			
Male age 55	Annuitant	Female age 50	Annuitant
Months movement +3.8%		Months movement +5.1%	
Royal Life	£9,180.85	Royal Life	£9,223.75
Sun Life of Canada	£9,084.21	Sun Life of Canada	£7,991.73
London & Manchester	£9,850.86	London & Manchester	£7,971.00
Male age 60	Annuitant	Female age 60	Annuitant
Months movement +1.9%		Months movement +4.2%	
Royal Life	£10,048.84	Royal Life	£9,248.57
Sun Life of Canada	£9,933.34	Sun Life of Canada	£9,962.50
RNPFN	£9,858.96	RNPFN	£8,877.84
Male age 70	Annuitant	Female age 70	Annuitant
Months movement +1.4%		Months movement +0.6%	
Royal Life	£13,202.50	Royal Life	£11,532.82
RNPFN	£13,392.24	RNPFN	£11,481.32
Canada Life	£12,894.12	Canada Life	£11,080.76
Joint life — 100% spouse's benefit			
Male 60/Female 57	Annuitant	Female 63/Male 65	Annuitant
Months movement +4.7%		Months movement +4.2%	
Royal Life	£8,361.08	Royal Life	£8,994.78
Sun Life of Canada	£8,122.17	Sun Life of Canada	£8,718.01
London & Manchester	£8,101.92	London & Manchester	£8,658.98

company pension schemes based on money purchase (rather than final salary), have to use most of the lump sum produced by their pension plan to buy an annuity promptly when they actually retire. So, even if the insurance companies and the Revenue do eventually compromise on a modified version of the flexible annuity scheme, some would-be customers may be unable to wait.

So, what are the options for people needing to choose a retirement plan now? Until the fate of managed annuities is resolved, their basic choice lies between a conventional annuity and a phased annuity.

The standard conventional annuity involves a once-and-for-all swap of your lump sum for an agreed annual income for the rest of your life. Usually, this is fixed in money terms. Some degree of inflation-proofing might be built in, but only at the cost of a lower income to start with.

The level of income is fixed by reference to gilt yields at the time you buy the annuity, your sex, and how long you are likely to live. A variant on this prototype allows you to take

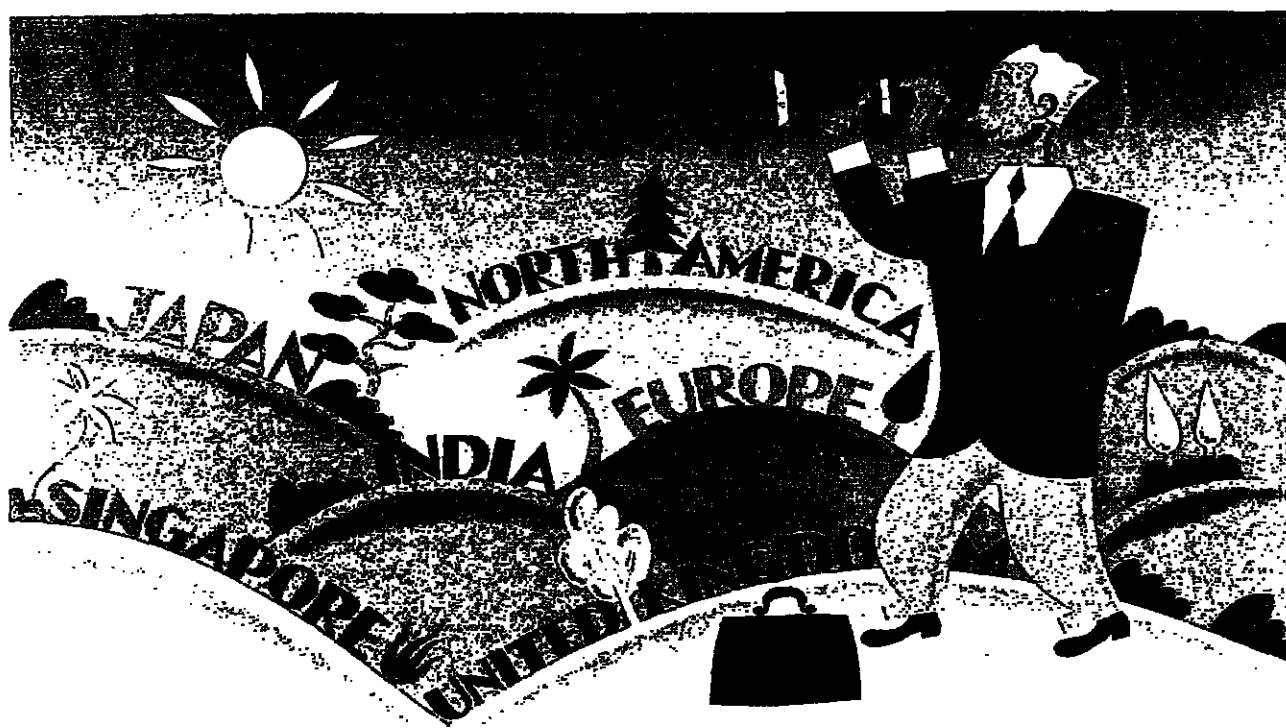
on some stock market risk by linking the income to a stock market-based product such as a with-profits or unit-linked fund. But most people are suited better by annuities which provide a guaranteed income.

Phased annuities and schemes offering "staggered vesting" (even more complex and costly) work by dividing your pension fund into several discrete chunks and allowing you to cash these in for an annuity when you choose. This goes a long way towards dealing with the timing problem. But it is a realistic option only for people wealthy enough to be able to afford to wait, or those who can retire gradually from paid employment.

Other conditions, such as whether and when you can take part of your pension in a tax-free cash sum, and what the benefits for partners are, also vary considerably. Pension planning is an area where specialist advice is probably essential.

Possible sources are The Annuity Bureau (071-630 4080); Annuity Direct (071-375 1175); and Lexis Pension Consultants (071-374 4448).

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FINANCE AND THE FAMILY

those pre-1982 shares

TABLE 2. MATCHING SALES TO PURCHASES

Since her husband died 30 years ago, an elderly widow has made the following purchases and sales in SHEL:

Month & Year	Shares	Transaction	Cost £	Proceeds £
Sep 1964	200	Bought	402	-
Apr 1970	300	Bought	1,429	-
Aug 1973	250	Bought	789	-
	750		2,620	
Jun 1979	750	1 for 1 scrip	-	-
Dec 1982	600	Bought	2,552	-
	2,100		5,172	
Dec 1988	4,200	2 for 1 scrip	-	-
	6,300		5,172	
Feb 1991	1,000	Sold	-	4,470
Jan 1992	2,000	Sold	-	9,314
Mar 1993	1,600	Sold	-	11,342
Dec 1993	1,700	Sold	-	9,529
	6,300			

Let us see how the purchases and sales are matched. The elderly lady did not make a 1985 election, so shares acquired on or before 6 April 1985 are kept separately.

Matching - No 1985 Election		Sales				
		Feb 91	Jan 92	Mar 93	Dec 93	
Purchases						
Dec 82 600 = 1,800 xc*		1,000	800	-	-	
Aug 73 250 = 1,500 xc						
		3,300	-	1,200	1,600	500
Apr 70 300 = 1,800 xc						
Sep 64 200 = 1,200 xc						1,200

* xc = ex-capitalisation, i.e. after the scrip issue(s)

From page VI

treated as a purchase of additional shares because all the shares had been acquired on or after April 6 1982.

Where some of the holding was acquired before that date, the treatment is slightly more complicated.

Rights issue on shares acquired before April 6 1982
Where a rights issue made after April 5 1982 concerns a holding, part or all of which was acquired before April 6 1982, any shares received in respect of the 1982 holding are treated as an increase in that holding.

Similarly, if the 1985 election (to include shares acquired on or before 6 April 1985 in the 1982 holding) was not made, any shares received in respect of shares acquired on or before April 6 1985 are treated as an increase in those earlier holdings.

Rights issue - shares not taken up
Shareholders who do not want to take up their entitlement in a rights issue can do one of

two things. These are:

1. Sell the new shares "nil paid," renouncing their entitlement to them by completing the relevant section on the back of the provisional allotment letter (PAL, in back office jargon).

2. Let their entitlement lapse. In this case, the issuing house will sell all the shares of the entitlements that have lapsed "for the benefit of entitled shareholders" - providing they can be sold at a premium.

The shares are sold fully paid and the net proceeds (the premium obtained over the subscription price, net of selling costs) are distributed to the entitled shareholders pro rata.

Whichever the shareholder does, the treatment for CGT purposes is the same: it depends on whether the proceeds of the sale of the shareholder's rights are 5 per cent or less of the value of the underlying shareholding (the shares originally held), or more than 5 per cent.

If the former, the proceeds of the sale are deducted from the cost of the underlying holding.

TABLE 3. RIGHTS ISSUE, SHARES NOT TAKEN UP

A company makes a 1 for 3 rights issue at 80p. Before the rights issue an investor held 3,000 shares, which were standing at 102p each on the last day of dealings cum rights. He is, therefore, entitled to subscribe for 1,000 shares. He decides to sell his rights "nil paid" - i.e. before the date on which payment for new shares falls due. (In practice he has to sell two or three working days before the subscription date, to give the purchaser of his nil paid shares time to make the subscription payment: the "last day of dealings nil paid" is given in the rights issue circular to shareholders.) The investor sells his rights on the first day of dealing nil paid for 20p each, realising £196 net of selling expenses. The price of the old shares has eased to 98p ex-rights.

Is the sale deemed to be a disposal?

Let the proceeds of the sale of his rights = A
and the value of his holding of old shares, ex-rights = B

$$\frac{A}{A+B} = \frac{£196}{£196 + £2,970} = 6.80\%$$

So, as this is greater than 5%, the sale is deemed to be a disposal.

Calculating the capital gain

The cost of the original holding, indexed to the month in which the nil paid shares were sold, was £2,200.

$$\frac{A}{A+B} = \frac{£196}{£196 + £2,970} = 6.19\%$$

A = 6.19% of £2,200 = £136 Capital gain = £196 - £136 = £60
The indexed cost of the residual holding, 3,000 shares ex, is
B = 93.81% of £2,200 = £2,064.

TABLE 4. DEMERGER OF ZENACA FROM ICI

For CGT indexation purposes, the new shareholding (Zeneca) is treated as having been acquired at the same time as the original holding (ICI).

For cost apportionment, the A/(A+B) formula is used to determine the proportion of the cost of the original holding of ICI which is attributed to the new holding in Zeneca.

A = First Market Value of new shareholding

B = First Market Value of old shareholding

where First Market Value on the first day on which ICI and Zeneca were dealt in separately is the lower of:

- the bid price of the security plus one quarter of the spread (the difference between the bid price and the offer price). Known colloquially as "Quarter up".
- the figure half way between the highest and the lowest prices of bargains recorded that day in the Stock Exchange's Daily Official List.

These prices were ICI 631.75p; Zeneca 625.75p

$$\text{So cost apportioned to Zeneca} = \frac{625.75p}{625.75p + 631.75p} = 49.78\%$$

indexed to the month of sale. If

the latter, the sale is deemed to be a disposal and a taxable gain arises from it.

Table 3 shows how the gain

and the value of the underlying

shareholding is calculated when

the proceeds of the sale of

rights exceeds 5 per cent of

the value of the underlying

holding ex-rights.

Takeovers and mergers

The shareholder of the

acquired company can either

accept new shares in the

acquiring company in

exchange for his holding in the

acquired company (accepting

"paper," in City jargon), or can

accept the cash alternative if

one is offered.

If new shares are accepted,

the cost of them is taken as the

cost of the investor's holding

in the acquired company. If the

cash alternative is accepted, it

is deemed to be a disposal, and

normal rules apply.

Demergers

Where a company hives off a

subsidiary (eg. BAT hiving off

Argos and then Wiggins Teape,

or the demerger of Zeneca from

ICI), the cost of a holding in the

original company is apportioned

between the resulting

holdings. Table 4 illustrates

the case of a shareholder in ICI

when it demerged Zeneca.

Scrip dividends

If you elect to receive a scrip

rather than a cash dividend,

the deemed cost of the shares

received is the cash dividend

you have foregone (ie, the divid-

end before the addition of the

tax credit).

Indexation on the deemed

cost of the shares received will

run from the month in which

the dividend is paid.

Enhanced scrip dividends

These are a recent innovation,

designed for companies with a

surplus of advance corporation

tax (ACT) - that is, those pay-

ing more ACT than they can

offset against their UK corpora-

tion tax liability.

These are, typically, compa-

nies with a high proportion of

their profits earned and taxed

overseas, such as RTZ. But

they may also include compa-

nies paying uncovered dividen-

divs in difficult times, such

as Ladbroke.

ACT is paid on all cash dividen-

divs but does not have to be

paid on scrip dividends. Thus,

some companies with an ACT

problem have been offering

shareholders the choice

between a normal cash divi-

divend and an enhanced scrip

dividend (usually around 50

per cent higher).

For CGT purposes, the cost

of an enhanced scrip dividend

is taken as the market value

on the first day of dealing, and

is indexed from the month in

which the cash dividend is

paid.

Next week . . .

The last article of this series deals with how to minimise your CGT liability, including bed and breakfast; transfers between husband and wife; taking advantage of separate annual CGT exemptions and your partner's lower marginal rate of tax; how to transfer securities between husband and wife; and gifts and transfers between "connected" persons.

Readers' questions: Answers to the most popular general questions arising from the

series will be published after the final article has appeared. Please mark your envelope "CGT series question." We cannot provide detailed advice about your own CGT returns.

The authors: Richard Chant is a tax partner in the Bristol firm of chartered accountants Solomon Hare. Alan Sugden is the co-author of *Interpreting Company Reports & Accounts*, Woodhead-Faulkner, 4th (Revised) edition, p1b £19.95.

Stags find it tough

Financial adviser Johnson Fry has put lots of noses out of joint with its French privatisation service, writes Gillian O'Connor. The original scheme was to operate a rolling staging fund: clients would put in £1,000, which would be used to apply for shares in one privatisation. These shares would then be sold as soon as dealings started and the money would go into the next privatisation offer - and so on.

The first problem was that the French Treasury took umbrage at the idea of a staging fund, particularly one where the beneficiaries were perfidious Englishmen. A few eyebrows were raised before the offer of shares in Elf Aquitaine, the oil company, the first privatisation in which Johnson Fry tried to partici-

pate. Johnson Fry ignored the eyebrows and bought its clients some Elf shares. But rival Kilik & Co., a stockbroker which had been running both a French privatisation share-dealing service and a staging service for some time, got caught up in the slipstream and was not able to get its clients into Elf.

Johnson Fry then decided it might be prudent to play down the emphasis on staging. So it offered clients the choice of holding on to their Elf shares and topping up the rolling staging fund, or sticking with the formula for which they had signed up. Result: some thoroughly confused clients.

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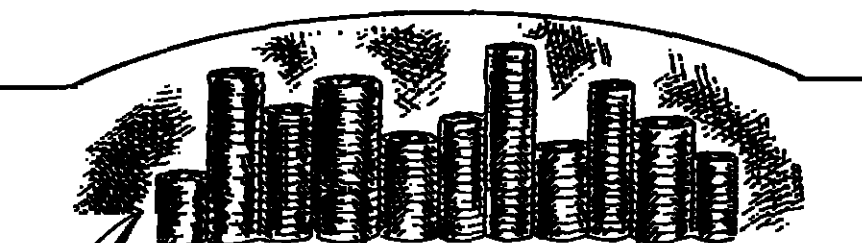
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FINANCE AND THE FAMILY

Beating the risks

Debbie Harrison looks at Norwich Union's record

When Thomas Bignold undertook the perilous journey from Kent to Norwich in 1783, no insurance company was prepared to cover him against highway robbers. His indignation led him to found the Norwich Union Association, initially for fire and theft insurance. Later, in 1808, Bignold launched the society's life and pensions business.

Today, Norwich Union is the UK's third-largest insurance group and one of the leading providers of personal pensions. Its financial strength is rated as "adequate" by Standard & Poor's, the US credit rating agency, although the society has improved its position since this analysis was made.

Norwich Union's solvency margin stands at over £3.4bn, more than three times the level required by the Department of Trade and Industry, while its free asset ratio - broadly, the ratio between surplus assets and total assets - doubled from 5.56 per cent in 1991 to 10.5 per cent at the end of 1993.

The society holds a strong position in the pensions market, where it offers a range of individual plans and group schemes. In a recent survey of personal pensions by *Money Management*, Norwich Union was one of only four providers to qualify as a "best buy" for single premium investments, based on above-average performance and below-average charges.

While the society's charges are lower than average for most contracts and investment periods, there is still a front-end loading. This means there is a 40 per cent reduction on each premium paid during the "initial" period - which can last up to two years on longer-term contracts.

These charges cover the society's own costs and payments of commission to the adviser or

salesman. Other charges on the unit-linked personal pension plans include the bid/offer spread (the difference in cost between buying and selling units) of 5 per cent; an annual management charge of 0.875 per cent; and a £3 monthly policy fee.

Norwich Union shows greater consistency than many competitors on overall performance. According to *Money Management*, 70 per cent of the society's results on all funds were above average, with only 10 per cent in the fourth quartile (bottom 25 per cent).

The managed unit-linked fund, which invests in the society's range of unit-linked funds, has performed well over the past five years although, for the year to the end of February, returns dropped rather suddenly to the fourth quartile.

Philip Scott, Norwich Union's general manager (UK Life), explains: "The managed fund slipped in the competitor rankings as a result of the less aggressive policy followed in the underlying funds, principally the UK equity fund. This was modestly underweight in the smaller companies and mid-250 companies' index stocks at the beginning of the year when they experienced strong performance."

"In common with many other funds, the equity fund was underweight in the UK quoted Hong Kong and Shanghai bank, which performed exceptionally well in the final quarter of 1993."

Several other funds, including international and North American, performed well dur-

ing the late 1980s and early 1990s, but performance has tailed off since 1992. The international fund, retains an above-average ranking over five years but the North American fund is well below average for this period, particularly on the regular premium contract.

Scott says: "The North American fund performance was adversely impacted in 1993 by the holdings in branded stocks in a year when brand names took something of a battering." This underperformance also affected the international fund.

Elsewhere, Norwich Union's money fund has an excellent short and long term track record, while its with-profits contract is a top performer over all investment periods except five years, where it is slightly below average due to recent cuts in the annual bonus rates. Traditionally, about 90 per cent of the society's individual pensions business has been on the with-profits side but, recently, the split between with-profits and unit-linked has been more even.

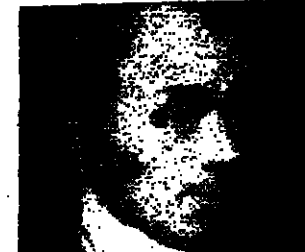
Transfers of company pension benefits into personal pension plans account for 40,000 out of the society's total sales of more than 500,000 personal pensions. In 1992, Norwich Union - along with two other major providers, Scottish Widows and Standard Life - decided to suspend transfer business from tied agents and direct sales.

Scott explains: "Since July 1992, we have had a team looking at every transfer proposal submitted by our direct sales force or appointed representative channel. The proposal proceeds only when it is clear that good advice has been given."

Money Management March 1994, *Survey of Personal Pensions*, FT Magazines, Greyhound Place, Faggar Lane, London EC4A 3ND.

FACT FILE 7

Name: Norwich Union
Status: Mutual
Founded: 1808
Market position: Third largest insurance group in the UK by funds under management
Financial strength: Standard & Poor's assessment is "adequate"
Funds under management: £27bn UK, £25bn worldwide (at 31/12/93)
Premium income: £1.5bn in 1993 (UK life and pensions)
Number of personal pension plan clients: 504,000
Sales outlets: Existing business 87 per cent independent advisers, 13 per cent appointed reps and direct sales; new business 63 per cent and 37 per cent respectively
Commission paid: Not disclosed
NFI commission rating: Available? Yes, through any adviser or agent. Actual terms are standard and not negotiable
Recurring single premium? Yes
Expense ratio (net expense plus commissions paid divided by net premium received): 19.4 per cent in 1991, 24.6 per cent in 1992, 16.2 per cent in 1993 (industry average last calculated in 1991 at 19.3 per cent)
Reduction in yield (equivalent annual percent charge over the life of the contract): 1.5 per cent on 25 year unit-linked personal pension (industry average 1.6 per cent). Below average on most contracts and terms
Penalties on early retirement or termination: No actual exit charge but 40 per cent of premiums paid for first two years on long-term regular premium contracts is deducted in charges
Performance: Managed unit-linked equity fund over 5 years, slightly below average over 10 UK equity, excellent over 5 years, above average over 10 international, good but decline since 1991; deposit and fixed interest, long-term below average but short-term excellent; with-profits excellent for all terms, except five years which is average
Source: FT Personal Pensions 1994 handbook, *Paragon Management*, *Money Management* (March 1994 series)
*Business in 1993 largely due to significant drop in long-term pension business following decision to come out of with-profits bond market to balance the society's mix between single and regular premium contracts
Charges: At present life office



Thomas Bignold, founder of Norwich Union

Illustrations of what your investment may produce, use a standard basis for charges set by Lauro (the Life Assurance and Unit Trust Regulatory Organisation). To reveal the impact of real charges on the fund of Norwich Union's managed unit-linked plan, we asked for illustrations using actual charges for a man age 45 who expects to retire at age 65 (ie, a 20-year contract), paying (a) £200 per month and (b) a stand alone single premium of £10,000. Illustrations using Lauro standard charges, which in fact are lower than those used by most life offices, are shown in brackets. The last illustration gives a theoretical value if no charges were deducted.

Full commission plan	6% gth	12% gth
Monthly premium	£75,220	£145,872
Single premium	£90,800	£168,000
Single premium	£26,615	£28,336
Single premium	£28,200	£28,336

NI-commission	6% gth	12% gth
Monthly premium	£50,225	£100,265
Single premium	£60,800	£120,300
Single premium	£18,240	£19,148
Single premium	£19,200	£19,300

Theoretical no charges	6% gth	12% gth
Monthly premium	£200	£200
Single premium	£200	£200
Single premium	£200	£200
Single premium	£200	£200

Where basic commission is paid, MU's charges are significantly higher than the Lauro basis, yielding a lower projected return. Where the commission cost is stripped out, the result is less on the monthly premium plan at the higher growth rate but not for the other terms and contracts. The last set of figures assume only the Lauro basic rate of commission, whereas actual rates are likely to be in line with the industry average, which is 30 per cent higher.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Queen for the answers given in this column. All enquiries will be answered by post as soon as possible.

I seem to recollect that when the Queen agreed voluntarily to pay capital gains tax on her investments, the base values were to be calculated from April 9 1993. Is this correct and, if so, why was a different date chosen from that which applies to her subjects: viz,

No IHT on this gift

I am aged 79 and have about £10,000 of my £28,000 after-tax income unspent each year. Can I give this surplus to my daughter without an inheritance tax liability? If the answer is yes, do I have to ask

Directors' transactions

The Royal Bank of Scotland has featured before in this column when Peter Wood, who founded the Direct Line motor and household insurance subsidiary, bought almost 2m shares in December 1993. The share price was around 400p then and rose to a peak of £288 before coming back to the present 430p. Wood has been buying again. His most recent purchase of 582,000 shares brings his total holding to more than 3m.

Directors of Rodime were last noted when three of them sold almost 2m shares at 44.75p. The outcome of several negotiations pending at that time are still anticipated. Nevertheless, director selling has

continued. The same three directors, including chairman Malcolm McIver and managing director Peter Bailey, have sold more stock at the lower price of 30.75p. Each director still retains a sizeable holding. PizzExpress announced much-improved final results in September 1993. MD David Page then sold 380,000 shares at 102p to the closed period and were carried out by three directors, including finance supremo Glen Tomlinson, at 132p a share.

Colin Rogers, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bolton Group	Prop	1,515,150	500	2
Candover Investments	InvT	40,000	132	1
Castings	Eng	8,000	20	1
Chemring Group	Eng	7,400	25	1
Cook (William)	Eng	20,000	60	2*
De Morgan	Prop	67,000	10	1
Hanson	Divi	46,066	126	1
Kleinwort Benson	M&B	7,000	30	1
M & W	Ref	112,500	182	1*
McAlpine	SCo	40,000	126	1
Neepsend	Eng	127,289	53	2
PizzaExpress	L&H	25,000	33	3
Rank Organisation	L&H	54,299	593	2*
Rodline	OS&S	1,927,076	3	3
Sear	Sec	25,000	369	1
Shel Trans & Trd	Oil	76,500	534	1*
Tomlinsons	H&G	3,500	11	1*



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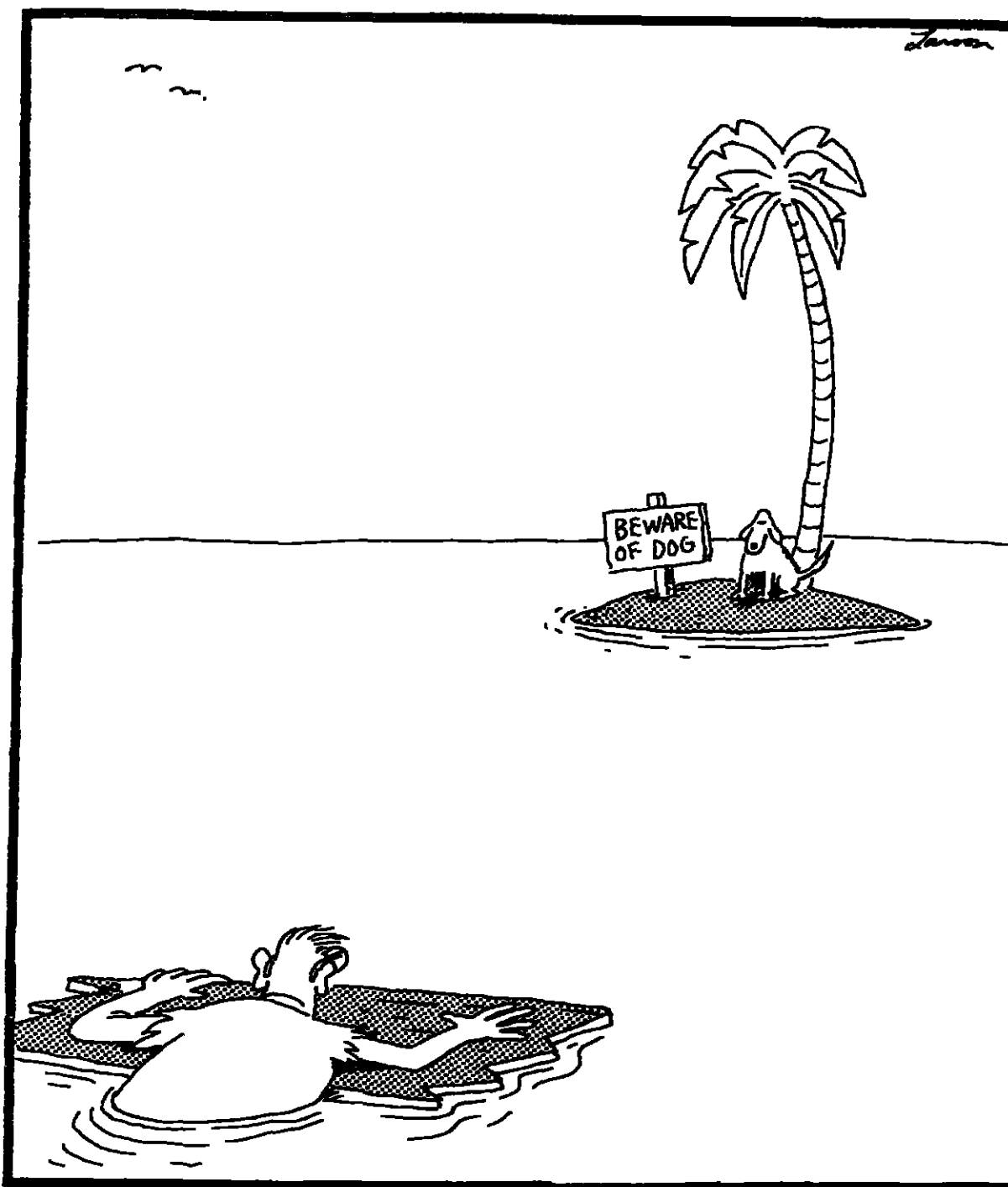
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2 Do you already hold National Savings Certificates? (Please tick) Yes <input type="checkbox"/> No <input type="checkbox"/>			
If you do, please quote your Holder's Number			
3 M (Mr Mrs Miss Ms) Surname			
All forenames			
Permanent address			
Postcode		Date of birth Day Month Year	
		19	
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Date			
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PERSPECTIVES

The Nature of Things/Clive Cookson

Solitons on the crest of a wave

John Scott Russell, a young Scottish engineer, was riding along the towpath of the Forth-Clyde canal one day in 1834. The horse-drawn barge he had been watching stopped suddenly but, to his amazement, its bow wave continued travelling down the canal.

It took the form of "a large solitary elevation, a rounded, smooth and well defined heap of water, which continued its course without change of form or diminution of speed".

Russell followed the solitary wave - about 1½ ft high - for more than a mile down the canal before it lost its shape and disappeared. He was the first scientist to describe this extraordinary wave form, known now as a soliton, which maintains its shape and speed without widening and dispersing in the usual way.

The soliton is an intriguing natural phenomenon. The best known

example is a tidal bore rushing up a river estuary, though satellite pictures have occasionally shown solitary waves travelling for hundreds of miles across the Pacific Ocean.

Today solitons are the subject of intensive research worldwide, not by scientists interested in the natural world but by engineers who want to send as much information as possible down optical fibres - the hair-thin glass strands which will make up the global communications network of the 21st century.

For optical communications, of course, the soliton consists of light instead of water but the mathematical

requirements are the same: the forces tending to compress the wave must balance exactly those tending to disperse it. Too much compression destroys the soliton as surely as too much dispersion; you can see the effect in water by looking at incoming waves "breaking" on a beach.

By transmitting the zeros and ones of digital data as solitons instead of the ordinary pulses of laser light used in current optical systems, engineers hope to squeeze 10 to 100 times more information down the line.

It is impossible without using some technical jargon - and fiercely oversimplifying the physics

- to explain how the soliton keeps its shape as it moves down the fibre. Any pulse of light, even one created by laser, has a slight spread of wavelengths travelling at slightly different speeds. The effect is gradually to smear out the pulse with time.

The compensating factor, which keeps the soliton together, is "non-linearity": the presence of the light itself produces a slight temporary increase in the speed of light in the fibre. This enables the back of the wave to keep pace with the front.

Opto-electronic engineers at telecommunications research centres such as Bell Labs in the US and BT Laboratories in the UK have already achieved

impressive test results.

They have made solitons carry data over the equivalent of intercontinental distances at a rate of 16bn digital "bits" per second down a single fibre, without any errors. That is enough to carry more than 1m simultaneous telephone calls. Over short distances - equivalent to a local network around a building - engineers have achieved soliton transmission at 100bn bits per second.

However a huge development effort is still required by telecoms companies and the manufacturers of optical fibres, lasers and associated equipment, before soliton systems can be put into practical

service. One challenge is to control the timing: the lasers have to generate bursts of light lasting no more than 10 picoseconds (10 million-millionths of a second).

Another is to overcome the unwanted "noise on the line" that will be generated by optical amplifiers on long-distance cables carrying intense soliton traffic. And new computerised exchanges will be required to handle the torrents of data.

But Richard de la Rue of Glasgow University, who heads one of the leading academic research groups in the field, believes practical applications will be under way before the end of the century and perhaps

as soon as 1997. The next transatlantic fibre optic cable, to be installed next year, will not use solitons but the one after it might.

The introduction of soliton-based systems depends not only on technical progress but also on continued rapid growth in demand for global communications capacity. If the multimedia revolution lives up to its advance billing, we will need not only solitons but also other capacity-expanding innovations such as "wavelength division multiplexing" (adding new channels by sending solitons of different wavelengths simultaneously down the same fibre).

If so, the transition from an inquisitive engineer observing the sedate progress of a solitary wave along a Scottish canal to billions of solitons a second streaming at the speed of light down an optical fibre will provide a perfect image of scientific progress from the 19th to the 21st century.

Despatches

Detour to danger in Soweto

It was never our intention to go to Soweto. On the contrary we thought it would be not only unsafe but ghastly to visit so tragic a centre of violence and misery.

So, at the eve of our only day in Johannesburg, we asked the hotel porter to arrange for us a tour of the city centre. This, he said, might be difficult: there were tours to Soweto on a Sunday but not normally of Johannesburg.

In the event a city tour was arranged and my wife and I set off in a minibus driven by an amiable and well informed African guide.

At the Carlton hotel in the city centre the driver had arranged to pick up two other customers, a New Zealander and his Canadian girlfriend, both doctors. While we waited for them the tour guide explained apologetically that the newcomers wanted to go to Soweto hospital where the girl had done part of her training. Would we mind going there?

Was the route safe? "Absolutely," he replied. "We go there every day and avoid possible trouble spots." And he assured us that the Sowetans were glad to see foreigners and anxious that their problems should be understood abroad. It seemed churlish and craven to refuse.

As we headed along the dual carriageway to the west of the city our misgivings began to

seem silly. When we stopped on the hard shoulder for the New Zealander to take photographs of the workers' hostels we were at least a quarter of a mile away from them.

Certainly the view was interesting: we had not realised, for example, that, almost adjacent to the extensive barrack-like hostel area, was a tidy estate of detached family bungalows, small but clearly respectable and well cared for. Beyond them in the distance we could see the hospital.

Resuming our journey, our uneasiness returned with a vengeance, as instead of keeping to the highway, the driver took a rough road which divided the hostels from the housing estate, presumably to a short cut to the hospital.

We had driven slowly almost to the T-junction at the end of this road when it happened: a blue Toyota saloon overtook and stopped in front of us. From it appeared three or four armed youths, one of whom aimed a pump-action shotgun at the windshield of the minibus.

The other youths ran to both sides of the bus and forced open the doors. The driver was made to get out and his place was taken by a member of the gang.

A shotgun, accompanied by angry shouts, was thrust through the doorway of the bus to within inches of the New Zealander's face. He

thought he was about to be murdered but was told to hand over his camera and valuables and get out of the bus. We all had to do likewise.

The robbery completed, the youths got into the bus and drove off.

Relief at having escaped with our lives, and uninjured, was soon overtaken by the realisation that we were in the middle of the township without transport or access to a telephone.

Neither our driver nor any of the bystanders offered any

Gordon Langridge tells how a day trip ended in robbery at gunpoint

help. My wife fortunately had the presence of mind to ask a pleasant looking young woman standing at the door of her bungalow if we might come in. The woman hesitated, clearly aware that helping us was not without risk to her family, but then agreed that we might wait in the house. The woman, her husband and their neighbours proved to be kind and friendly people.

The police were called and, while we waited, we were offered beer; coffee was served in the best china cups. The

house was immaculate, furnished and maintained with evident devotion and care. There was a gentleness and quiet goodwill about these people which was touching.

Many of them said almost as if it had become a conventional greeting, "All we want is peace," and one believed them.

The police came within 15 minutes - not a bad response time for a district where houses seem not to be numbered sequentially and streets are not obviously named.

They arrived in an armoured vehicle and a flying squad car. Three young white Afrikaners with machine guns and pistols, wearing flak jackets, came into the bungalow and took up positions by the front and back doors.

They clearly took seriously the possibility that the incident had been set up as a trap for them - it had happened before.

They were calm, professional, extremely courteous to our hosts, and even friendly to us, although they must have thought we had behaved irresponsibly. They relayed at once to other squad cars the detailed description of the New Zealander was able to give of the car the gang had used, and they patiently took statements from each of us.

None of us could describe our attackers in any detail: we were even unsure whether there had been three, four or

five of them. Shock and fear it seems, enfeeble the power of observation.

"What about the many other witnesses?" we asked. "There won't be any other witnesses," was the reply.

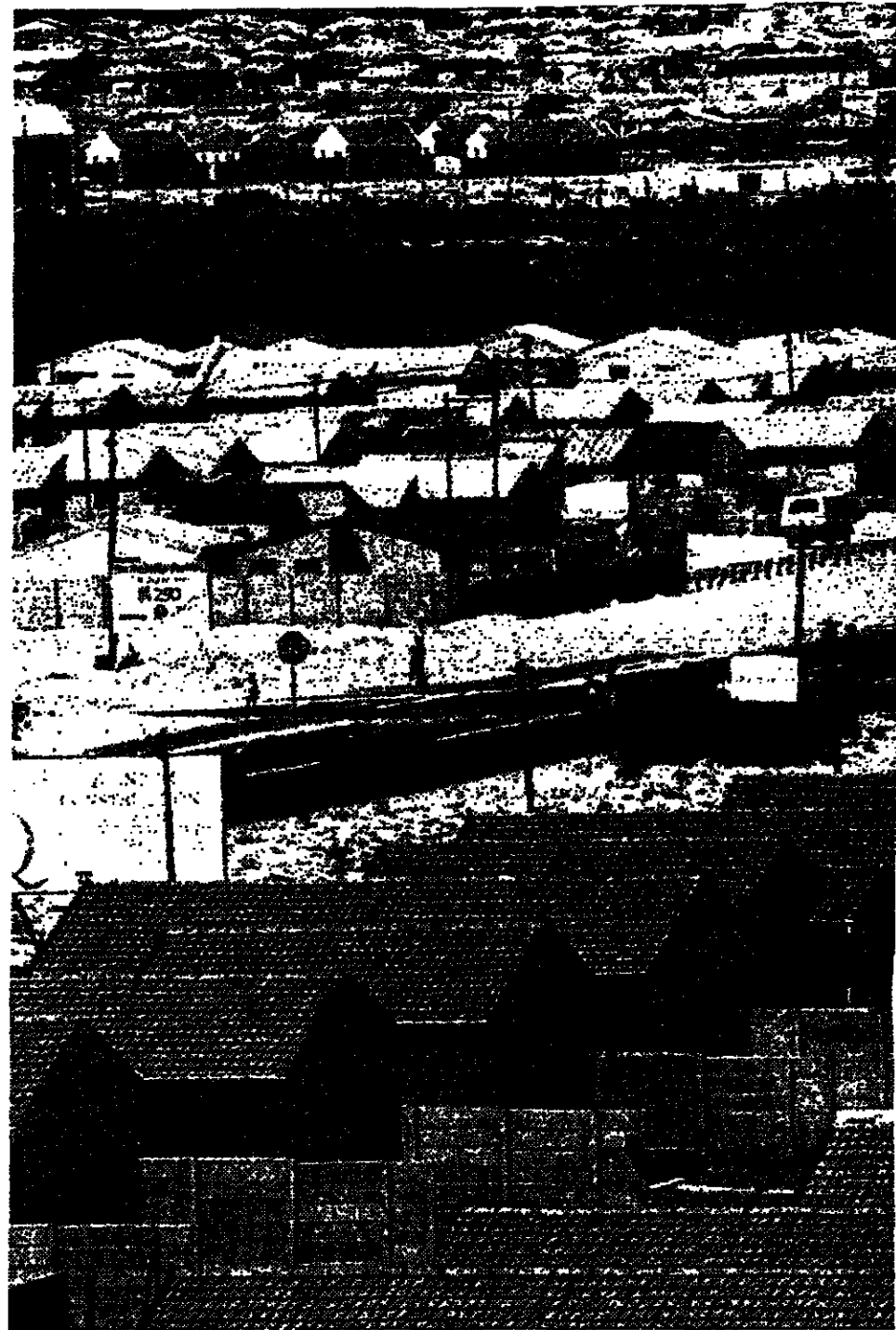
We asked the police about their work. We supposed that tours of duty in Soweto were short. Not at all, they explained: it takes so long to get to know the district that they have to stay. One of them had done seven years there already.

The police escorted us all out of the township and drove the young doctors to Soweto hospital which, to our amazement, they still wished to visit. We were interested only in returning to the calm and security of our hotel.

The next morning my wife went to a department store in the hotel complex and asked for a gift voucher to be sent to the woman who had given us sanctuary. "It will never get there," the girl explained, "she will have to come here to collect it." We very much hope she did.

Had we been foolish, or unlucky, or had we been set up? Certainly there were conflicting views about the wisdom of a visit to Soweto.

The hotel porter and the tour guide had assured us that there was nothing to fear. The two young doctors had been similarly advised, by the friends they were staying with in Johannesburg. Yet the white South Africans we told of our experience were aghast that we had gone to Soweto and that the staff of the hotel had offered tours there. In the words of a startled young girl in the bank: "No one goes there; people get killed in Soweto."



The streets of Soweto: conflicting views over whether they are safe

Glyn Glyn

Skiing/Arnie Wilson

Spring snow is a grey area

The snow in lower Austria is melting fast: I have just skied in Kitzbühel, but it is impossible to ski all the way down the Hahnenbach without hitting patches of mud.

Temperatures began to rise a couple of weeks ago. Christian Berger, tourist director for the Söll area, said: "Until 2 weeks ago we had wonderful conditions even though this was the warmest winter for 100 years. But last week the temperatures were higher than in Turkey or Greece. It was 28°C in Innsbruck and even 31°C up here in the mountains."

Now, there is virtually no snow - slushy or otherwise in some low-lying villages. When we drove past Hopfgarten on the other side of the mountain from Söll, a popular haunt with British skiers, the lack of snow was plain for all to see.

My plans to ski down from Söll have melted along with it. But then the pistes down to Hopfgarten are traditionally the first to lose their snow.

The conditions alarmed a dozen or more members of the

Allegany Ski Club from Maryland. They arrived from the US a week ago for what they were hoping would be "skiing like they have in the Rockies". They were shocked to see so many green fields basking in so much sunshine.

Mike Fletcher, the organiser, found himself under siege from his group, most on their first skiing trip to Europe. "I admit that most of the group was upset by the spring-like conditions, but by taking a time and then - when the snow gets a little sticky - you do something else."

Whatever the official line, skiers are entitled to expect decentish skiing in the first part of March, and this time last year they had it even here in low-lying Kitzbühel.

But this year, both Austria's and Italy's lower slopes are

garden, you can still get to Brixen, Westendorf or Schafau. It is just that conditions are more than a little spring-like.

"It is spring on Monday after all," said Marion Telling at the Austrian Tourist Office in London. "The conditions are good," she said, "for the time of year. The problem with British skiers is that they expect to ski from 8am until the lifts close every day. The Austrians are a little more laid back about it. They realise that in springtime, you ski till lunch-time and then - when the snow gets a little sticky - you do something else."

Whether you call it slushy, spring-like, good, or excellent, the quality of skiing in Austria's lower resorts in middle to late March is something of a grey area. But not really a white one.

Meanwhile, out of my window I can see it is snowing again - not enough to whiten the lower slopes, but a handy sprinkling higher up. If it carries on, spring might have to wait after all.

Arnie Wilson travelled to the Austrian Tyrol with Airtrons, Wexham House, Holcombe Road, Helmsdale, Rosedale, Lancs. BB4 4NB, tel: 0706-240033; and Arts.

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FT Round the World Ski Expedition

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. This week, they moved from North America to Europe. Arnie writes:

We arrived in up-state New York to enjoy the Catskills ski areas: Belleayre was fine, but we had been warned that Hunter Mountain would be "a zoo" on a Saturday. We were pleasantly surprised - no-one mugged us or offered us drugs. Perhaps the armed security men helped.

We wanted to ski Cortina and Davos (the US versions) in preparation for Europe, but only Cortina was open.

Then we lingered too long at genteel Windham, skiing a few runs with the Austrian ski school director Franz Kirkl, and completed our 25th Everest (in terms of vertical feet skied) in North America. Things got worse when we became lost in New York and only caught the flight to Europe by the skin of our teeth.

There is still time to win a skiing holiday in Courmayeur, or ski equipment, by entering the competition which appeared in Weekend FT on March 5 (copies from the FT shop, tel: 071-373 3324).

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SPORT AND MOTORING

As They say in Europe/James Morgan

A Titanic sinking on the rugby field

There is reason to believe that today could be marked by extraordinary, even catastrophic, events. If France lose their final match in the five nations' rugby championship against Scotland this afternoon, there is fair chance the team will be wiped out by a public driven beyond all reasonable levels of tolerance. Even more amazing will be the sight of the French sports writers disappearing *en masse* in a flash of spontaneous combustion, or flinging themselves from the highest point of the Murrayfield stadium in Edinburgh.

There will be different motives. The commentators on the France-Inter radio station will be enraged by the unfairness of it all. Their reporting of the (losing) game against England in Paris a fortnight ago was enlivened, for me, by the succession of invisible fouls committed by English players, and

by a total ignorance of rule 13 which the referee (rightly) used to stop Thierry Lacroix having a second go at a conversion attempt when the ball had fallen over. "We are all Europeans and therefore impartial, but really..." said Eric somebody or other into his microphone.

The game also "appeared" entirely different because, in the mouths of the commentary team, the distinctly unandrogynous England hooker, Brian Moore, emerged as Brie-Anne Morre, surely an American hooker.

In the newspapers, however, there was no feeling that France were victims. The French writers decided, unanimously, that there was just one problem: their team was no good. This was not just a matter of losing against moderate opposition, nor of failing to play up to expected standards. It was a failure of cosmic proportions - a sinking of the Titanic on the rugby field.

It was the kind of failure of which the former - and much-maligned - England soccer manager, Graham Taylor, could only dream.

There were hints of catastrophe in earlier matches. The wide but insubstantial victory over Ireland at Paris's Parc des Princes in the first match raised doubts. Defeat by Wales in Cardiff rang alarm bells. "Le feu rouge," shouted *L'Equipe* on its front page. This play on words meant either Welsh fire or a red traffic light. After that match, coach Pierre Berbizier commented: "I preferred today's defeat to the victory of two years ago. I know how we were beaten, but not how we won last time here."

That was a hostage to fortune. For, by the time England arrived in Paris, the press wanted no more understandable defeats but a victory. Especially against a side that always beat them, especially at

home.

Disaster struck: France were beaten 15-14. On page one, *L'Equipe* shouted: "Change all this for us." Page two was headlined "The great fiasco", while the newspaper declared the French XV to be brain-dead on page three under a headline that read: "The concept of a team is flat."

Midi-Olympique was relatively phlegmatic: "France is passing through its worst crisis since the second world war," it said, before asking: "How has France fallen so low?" It then opened what it called "The burning dossiers of tricolour rugby."

In the nation's rugby capital, Toulouse, *La Dépêche du dimanche* began its report: "This new defeat by England undoubtedly marks the end of a team which, decidedly, has nothing more to give, not the *savoir-faire*, nor the indispensable success at this level."

It concluded: "At the end of such a mediocre, yet poignant, match, it is not appropriate to put forward ideas; a delirium of destruction cannot be avoided."

The "poignancy" of the match came in the way England played. It consisted of everything that arouses Gallic scorn, admiration and resentment. England were boring, disciplined, resolute, unimaginative. A former national fullback, Pierre Villepreux, wrote in *Libération*: "The English had no doubts, even when France were dominant. They played on a tactical base which they fully mastered... a game which brought together their culture and education."

In a typically Marxist interpretation of rugby, Villepreux concluded that what counted was a unity of practice and tactics - something the French lacked entirely.

There is a new team for today which excludes Olivier Roumat, the



captain against England, Wales and Ireland. *L'Equipe* proclaimed: "It is not yet the Regency, nor is it the end of the Empire." There has been no "delirium of destruction," though. Thierry Lacroix, whose missed kicks probably cost France victory two weeks ago, said he was prepared for anything. "We've been slaughtered by the press and television all week," he said.

But the critics are keeping their powder dry. After all, if Wales beat England, as they will, and France beat a Scottish XV missing its best player, scrum-half Gary Armstrong, as they will, France will finish second this afternoon. Not bad for a side "without aggression, will or imagination."

James Morgan is economics correspondent of the BBC World Service.

The Five Nations' Championship/Derek Wyatt



Neil Jenkins: pointing the way for Wales

England to triumph on a mighty occasion

Something is going right with English sport.

First, Terry Venables' appointment is applauded, second, Ray Illingworth comes in from the cold to take the reins of the England cricket team and, late yesterday, the Rugby Football Union continued this uncanny run of common sense by appointing Jack Rowell, the Bath coach, to be the new guru for the national side.

The announcement was expected on Monday - but its timing gives him the chance of being fully involved with this afternoon's game.

Rowell's appointment will be widely welcomed, except perhaps by a few die-hards within the RFU executive committee. Rowell's precise role will need to be carefully defined over the coming months. He may want to merge the role of manager and coach.

Dick Best is the present England

coach, but the jury is out on his contribution to the England set-up over the past three years. He is an enlightened coach but his work for England has gone largely unnoticed. Geoff Cooke has retained all the power in selection.

In particular, Best lost the case for Stuart Barnes, the Bath captain, as the pivot on which to base his England team. Without Barnes, a running outside-half, Best lost the architect of his tactics.

Instead, we have had a diet of unrelieved boredom from the England camp, the win against the All Blacks notwithstanding.

The England team, instead of building another dimension to their game, as the Australians did between their Grand Slam in 1984 and their winning of the World Cup in 1991, has gone from rags to riches to rags in an identical period of time. And, in between, France and now Wales have made great strides to catch up.

Cooke's control of the England team was suffocating the side. He needed to relieve Carling of the captaincy and allow Dean Richards, one of his *bête-noires*, the chance to lead the side until after next year's Rugby World Cup.

Rowell's appointment may lead to a shake-up in the England team. He will probably replace Andrew with Barnes and ask Will Carling to stand down as captain. He would also call on all his powers to ensure a fit Jeremy Guscott at centre. If one player has been missed this season, it has been Guscott.

We might just have reached the same conclusion over gifted Welsh centre Scott Gibbs who has also been absent for the tournament. Without him though, Welsh back play has matured and developed beyond expectations.

This is not just because of Neil Jenkins' coming of age, but because of his right-hand man in the centre, Nigel Davies. For me, Davies has

been the player of the championship. Unsung and largely unheard of, he missed the Canadian debacle in November and, through injury, the French game four weeks ago.

But Davies has an acute tactical brain, safe hands and is a sound kicker. Above all, he has one exceptional gift, he makes time for himself. The Llanelli player will have his toughest game today against Carling. It will be one to savour.

Romantics will want a Welsh victory. After all, there were supposed to be only two teams in this championship, England and France. My how we all got that wrong.

Commentators are already concluding that Wales' chance of achieving the Grand Slam has come too early for the team. This is nonsense. Nothing comes too early in sport.

Nevertheless, this is a wounded England side and there is nothing more dangerous. They played so abjectly against Ireland that they still have something to prove to

their loyal supporters.

The side has developed a symbiotic relationship with them and they will want to provide a game to talk about and a game with which to thank Geoff Cooke for his sterling work over the past seven years.

The game again hinges on the play of the respective back-rows. Dean Richards has that uncanny knack of always being in the right place at the right time. His presence enables Ben Clarke to play a slightly wider game, one that best fits the likes of Victor Uboqui and Tim Rodber. It is their pace over the ground - which the Welsh lack - where the game will be won.

I do not see England being unduly bothered about tries in spite of the media interest. They will want a win and will steel themselves to ensure it is by the requisite 16 points so that they can claim the championship. I believe they will do it. Twickenham is again host to another mighty occasion.

Tennis/John Barrett

Smiles in the sunshine state

It was a poignant moment in the deserted stadium that bright Florida afternoon last January. "Here dad, you'd better hit the first ball, you've waited long enough!" Trey Buchholz tossed the balls across the net to his father, Butch, who caught them and swung his racket to inaugurate a new era at The Crandon Park Tennis Centre in Key Biscayne.

If the former US No 1 was smiling with quiet satisfaction, one could understand it. For him, this was the realisation of a 30-year dream. It was also the end of a five-year legal struggle against the Matheson family (who had sold the 900-acre site to Dade County in 1940) and local opponents who were worried that the construction of a 14,000 seat stadium would bring a host of noisy sporting events and concerts to disturb the area's tranquillity.

The political and environmental battle has cost millions in legal fees. Butch and his brother Cliff owe more than \$2m while Dade County has run up an even larger bill. "But it was worth it," Buchholz insists.

"Back in the 1960s when I was part of (Jack) Kramer's professional group that was outlawed by the amateur game we used to sit around and look to the day when all the amateurs and pros would be competing together in a great tournament managed by the players. While our stage in those days was either a hangar or an old exhibition building, we dreamt of one day staging a fifth Grand Slam played in a super stadium somewhere."

It is a pleasure to report that the dream has been realised. Gone are the makeshift tents and trailers that have housed players, media and officials since that first Lipton Championship back in 1965 at the Laver Resort in Delray Beach. In their place, on a site that was once a rubbish dump, has risen a \$20m state-of-the-art facility containing comfortable quarters for everyone, including the public, who have been attending this year's 10-day tournament in record numbers. Furthermore, for the remaining 50 weeks of the year the public will be able to book the courts at Crandon Park for their own private battles.

The tournament, a partnership between the ATP Tour, the Women's Tennis Association, Dade

County and the Buchholz brothers, may not be the fifth Grand Slam but it offers prize money of \$3.3m. Sponsorship provides 30 per cent of the income, the sale of boxes and ordinary tickets generates 30 per cent. Television rights, retail sales, concession income, programme advertising and sales provide the balance.

An independent Economic Impact Study, conducted by the University of Miami and the Miami Convention Bureau, has estimated that The Lipton, with its attendance of more than 200,000, generates \$108m in annual income for the South Florida area.

A new dimension has been added to the venue by the establishment of the USA's National Training Department at the site under the direction of Ron Woods and former Wimbledon and US Open champion, Stan Smith. The director of coaching is former Tour player Nick Saviano who I have admired for his dedication in instilling a professional approach among the young American players he has guided on overseas trips.

"We have a perfect setting here," says Saviano. "Eventually there will be four red clay courts like the ones in Europe, four green American clay courts, plus two grass and 17 hard courts. We shall at last be able to prepare our players properly, wherever they are bound." Saviano recognises that the young Americans have fallen behind the rest of the world. "There was a time when the top Americans in their age groups were automatically as good as anyone in the world. That is no longer the case."

This week Andre Agassi has been setting the pace. His straight sets wins over two former world No 1s, Boris Becker and Stefan Edberg, have confirmed the effectiveness of the wrist surgery that he resorted to after an injury plagued year in 1993. "We are assessing it week by week," he said.

The on-court Agassi certainly looks sharp and fast, more like the man who so delighted us at Wimbledon in 1992. "It's definitely coming along much quicker than I expected," he said. "My fitness speaks for itself."

The Agassi '94 should prove a very tasty vintage.

Motoring/Stuart Marshall

The Java - in tune with the times

The parallels are striking. The Bentley Java concept took the Geneva motor show by storm this year; the Aston Martin DB7 prototype was the sensation of last year's show.

Both are the smallest models to come from makers which for years have produced nothing but very large (and even larger-engined) sporting saloons and coupés. They are in tune with the environmental awareness of our times. Even though aimed at buyers rich enough not to have to worry about fuel consumption, they are eco-friendlier than traditional Bentleys or Aston Martins. And the DB7 costs about half as much as a V8 Aston Martin or Lagonda.

Rolls-Royce Motors (which

owns and makes Bentleys, too) set the Java concept in motion nearly two years ago. It was a co-operative project with Design Research associates, a small but internationally-renowned British industrial design and styling house.

Rolls-Royce will spend the next year discovering if the Java appeals to enough people who already own, or are likely to buy, its standard-sized cars to make the Java's further development worthwhile. Then, it will have to find the money.

Here, the parallels start to diverge. Aston Martin had the good fortune to be taken over by Ford at a critical time in its history. With Ford money and engineering resources, plus an off-the-shelf engine from Jaguar (also a Ford subsidiary), the DB7 moved so smoothly from prototype to small-scale production that it will be on sale later this year. But the Bentley Java is only at the start of the development curve.

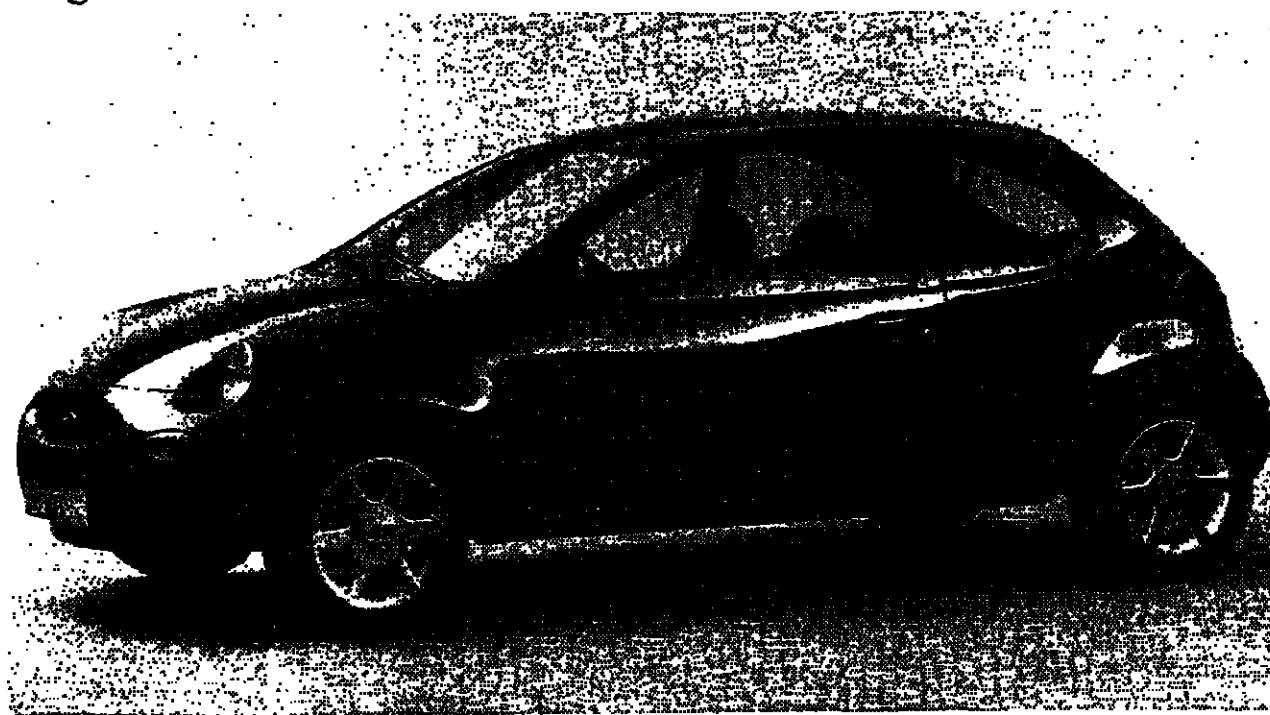
The truly beautiful car unveiled at Geneva on press day last week looked as if it could be driven out of the Pal-

expo building and on to the sun-drenched autoroute to Lausanne. In truth, it was not even a runner. The 3.5-litre, V8, twin-turbo engine due to power it is still being developed by Rolls-Royce's associate company, Cosworth Engineering, of grand prix racing fame.

If Rolls-Royce decides to go ahead, it would be 1999 before the Java could reach the show-rooms. And where would the money come from? Perhaps it is no more than a straw in the wind, but few visitors to the Rolls-Royce/Bentley stand were taking a closer interest in the Java than Bernd Pischelsreider, BMW's chairman.

Were Rolls-Royce to link with another car-maker, BMW is considered the likeliest partner; the two firms have been talking informally for several years. With Rover, the biggest British-owned manufacturer swallowed already, BMW might well fancy the most famous one for dessert.

At the opposite end of the market was another eye-catcher; Ford's hot pink-coloured Ka, which is not shorthand for a motor car but



This is Ka, Ford's idea of the shape of small cars to come

the name of an ancient Egyptian spirit. The Ka, smaller than a Fiesta, has a very long wheelbase to maximise interior space and ride comfort, curvy body panels, and all the latest safety features. Ford claims it will be fun to drive - something that first-time buyers and women drivers are said to look for when choosing a car. Spaciousness is one of the

features of Audi's mould-breaking A8 luxury saloon, which has the longest interior of any car in its class. Two versions of this trend-setter, which is made almost entirely from light alloy, go on sale later this year.

The 2.8-litre, 174 horsepower V6 has front-wheel drive and a five-speed manual gearbox (four-speed automatic an

optional extra); the all-wheel driven, 4.2-litre, 300 horsepower V8 quattro comes only with Tiptronic transmission. Tiptronic, used first by Porsche, combines the best features of manual and automatic. You can leave the selector lever alone and drive the car like any other automatic, or shift gears clutchlessly for yourself.

The Audi A8 promises to compete head-on with BMW's soon-to-be-unveiled 7-Series as well as the perennial best-selling luxury car, the Mercedes-Benz S-Class, which was shown with some minor cosmetic changes to make it look a little smaller. Big, it seems, is no longer beautiful, even among German buyers of top management cars.

The real thing

For my drive to Geneva this year, I chose a Mercedes C-250 diesel automatic. It gave me 34.25 miles per gallon (8 1/100km) over almost 1,200 miles (1,932km) of fast autoroute cruising, leisurely driving on near-deserted roads following the canal de Bourgoigne, two crossings of the Col de la Faucille, and jostling with Geneva's traffic.

Without retracting a word of my criticism of the nasty trim materials used in some C-Class cars in a bid to appeal to younger buyers, I have to say my leather-trimmed C-250 looked and felt a real Mercedes. It gurgled softly at start-up from cold, but then ran so quietly at anything between 60mph and 100mph (97-161kmh) that one forgot it was a diesel.

One of the most agreeable aspects of driving a diesel is the way they reward roadcraft. By looking as far ahead as you can, and anticipating what is there, you cover the miles more smoothly and far more economically than any hot-shot driving a petrol-engined car on the accelerator and brake. And you arrive unstressed.

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FASHION / HOW TO SPEND IT

Comment/Brenda Polan

Baby dolls with a tough message

Fashion, the source of much innocent pleasure, is capable of arousing an extraordinary amount of displeasure. It has always been so. Moralists throughout the ages have predicted the downfall of civilisation on the grounds of an excess of sequins, five-inch heels or stressed whalebone.

But their homilies were never as disturbing as the current outpourings of gibberish to which fashion is falling victim. Possibly the worst example is the theory which is glibly advanced for fashion's current preoccupation with a waltz-like body and clothes which, in their brevity and their whimsicalness, remind some commentators of the children's department at Harrods.

This style, says the new generation of style police, is paedophile and utterly to be deplored. Their analysis does not go beyond this catchword but it is such a loaded word that it hardly needs to.

Headlines and hints are quite

enough to communicate the horror and revulsion readers are intended to share. Do those commentators understand the term they are using? Or is it just a smart word with lots of syllables that gets their story on to the front page.

Some certainly do and one can only assume that they do not understand what they see on the catwalks of international fashion designers and, more importantly, on the streets of our cities.

We have just emerged from one of the most stultified and stultifying periods of fashion history, a period in which the ideal woman was trussed up in tight, rigidly structured clothes which projected a self-conscious, mature sexuality.

Paradoxically, women did not feel they could be taken seriously in the workplace, never mind the boudoir, if they were not displaying well-propped cleavage and lengths of sheer-stockinged leg atop sharp stilettos.

The most that could be said for this swaying, hourglass-shaped parody of what a transvestite thinks a girl should look like was that it took the most unambiguously obvious symbols of femininity and transformed them into aggressive weapons.

Traditionally regarded as a way of dressing which pleased men and, therefore, placed the wearer in a dependent, eager-to-please role, it was transformed into a way of

dressing which intimidated men and put women in control. The moth to the flame method of manipulation after Alexis Colby.

Many women hated it and refused to play. Thoughtful analysts of fashion were torn between approving of it - because it obviously made women feel empowered - and disapproving of it - because it made them look like cartoon-character tarts.

But there was another style of dress running in parallel with the executive tart and it was highly subversive. It consisted of leggings, a decency preserving top, and big, big boots; it looked extraordinarily like the costume for a particularly competent principal boy.

The women, usually but not always younger women, who adopted this style swaggered rather than minced. While they sat with their legs comfortably hitched over the arm of the chair, their micro-skirted sisters wriggled uncomfortably, attempted to cross their seductively and prayed their knickers were not showing.

As we all know, the principal boy is an innocent, virtuous, straightforward kind of character. The baby doll look which young women are enjoying at present is a simple development of both the look and the mood it represents. It is about innocence rather than experience, suggestion rather than insistence. It is tentative, approachable, youth-

ful, instinctive and free-spirited. Unlike the principal boy look which is gamine, androgynous and deliberately jokey, it is uncontestedly feminine.

But no modern young woman wants to look like a real baby doll. This is a baby doll with an edge. She may be an innocent, but she's nobody's fool. While the clean simplicity of her droopy little slip of a frock may tell some of the truth about her, the whole story is a lot more complicated.

So she wears her hair sticking up in rats' tails that have taken hours to construct and she either parodies the executive tart's stilettos by wearing them with ankle socks or climbs into the biggest, batchest

pair of mountaineering boots she can afford.

The details may be different but in its rejection of knowing ultra-femininity, the baby doll is very closely related to the 1960s mini in a way that the 1980s mini was not. As Mary Quant said at the time, the mini-skirted swinger was trying very hard indeed not to look like her mother. Consequently, she time-locked herself, metaphorically, into late adolescence.

But she did not do it to titillate paedophiles; she did it to distance herself from preceding generations and to identify with her own. Similarly, today's skinny-shanked baby dolls do not imagine they are giving pleasure to anyone who is sexually attracted to children.

But she does hope she will shock and alienate the complacently middle-aged who think they know what an attractive female should look like. And she hopes her message of innocence and toughness, wariness and openness, will speak to the young men of her own generation.

No match for a pair of shoes

Stand out in a crowd with odd footwear. Lucia van der Post reports on a Spanish designer and producer with an original range - from the asymmetrical, to more classic styles

Anyone accustomed to buying shoes that are absolutely identical has probably not stopped to consider whether there is some immutable law behind this perfect symmetry.

Since our childhood, shoes have come in pairs and the likelihood was that they would do so for ever more.

But Camper, a Spanish company based in Majorca, decided to look at the matter differently. "Why," it asked, "is that throughout history a pair of shoes has always been made symmetrical, the left exactly the same as the right?"

And it followed this up with another question: "Why can't a pair of shoes be disparate, asymmetrical and the left different from the right?" Twins, after all, are not necessarily identical and sometimes even scarcely resemble each other.

It went on to point out that the notion of asymmetry has a distinguished architectural lineage - from Gaudi and Le Corbusier in the fields of architecture to Vionnet, Miyake, Yohji Yamamoto and Rei Kawakubo in the field of fashion.

From there it was a short

step to an exercise in exploring the asymmetrical pairs of shoes, some of which are photographed here. The kinship between the shoes is obvious - there could be no mistaking that they belong to the same pair and yet each left is subtly, and sometimes not so subtly, different from the right.

For those who find this breaking of the established rules of footwear a trifle alarming, Camper does produce other ranges which, though less innovative, are just as interesting.

Its Camaleón line is a self-conscious recreation of a peasant shoe, the sort worn by country people all over Majorca. The perfect shoe for the ecologically concerned, it is made from unusable off-cuts of leather, worn out tyres and strips of canvas.

It also occurs to me that it is the perfect shoe for those who dislike anything that looks too new - these shoes look as if they have already been to some interesting places before they leave the shop. For those who do not lead the life of a country peasant these shoes are the sort to take on holiday, to beaches, to Majorca perhaps.

Perfect for those who spend summer holidays on beaches or in hot climates is the Terra collection. Based on the old-fashioned espadrille it has been updated by dyeing the canvas with colours and patterns and using new materials (rubber and natural rope) for the sole which give it greater strength without detracting from the original "look".

Camper also has a range for



found at Paul Smith of Floral Street, Covent Garden, London WC2; Nichols of Birmingham; Matches of Wimbledon; Limeys of Leicester, Sheffield, Derby, Nottingham; The Natural Shoe Store, 325 Kings Road, London SW3; and 21 Neal Street, London WC2. Prices range from £45-£80.

If your tastes are more classic still it might be worth looking at the Paraboot which has similarly romantic origins. Camper shoes are made using traditional methods in little workshops all over Majorca, while the Paraboot comes from the small village of Izeaux in the Isere region of France. The

original footwear produced in Izeaux was practical and sturdy, shoes for the tough farming life, often made in the farmers' own homes with crude tools.

However, Remy Richard-Pontvert, a local cobbler, began to visit fine Paris boutiques and saw that quality

and finish were important if he wanted to expand and sell to more sophisticated shoppers. While in America he saw rubber-soled shoes. He went straight home and developed and then patented his own rubber sole from which evolved the Paraboot (the rubber came from Para in Brazil).

In France they are as well-known as Church's are in Britain. They are made from fine full-grain leather and all the stitching is still done by hand. They have only fairly recently been on sale in the UK but have already become much sought after.

Most famous shoe in the range is possibly Michael, a soft casual lace-up but there are loafers, brogues, boots, golf shoes and boat shoes. Prices range around £105 a pair and the shoes can be found in good men's shoe shops, including Office Shoes, Jigsaw for Men, Woodhouse and Selfridges in London.

Until now Fendi, the Italian fashion house, has been known mainly for its expensive-looking luggage (distinguished as is customary in this case by initials, in this case, a reversed double F) and its swankily extrovert fur collection.

It is also famous, in Italy at

Furniture from the formidable Fendis

Lucia van der Post on the Italian fashion house's designs for the home

In 1925, the first Fendi furs and small leather purses were made by Adele Fendi in a small workshop in the Via del Piesbiscito in Rome. Though Rome is filled with fine creators of desirable leather goods, the Fendis nonetheless managed to attach to theirs

the kind of aura that turned a piece of Fendi luggage from being just a handy way of carrying about belongings into a grandiose statement about wealth and taste.

Their furs, too, have always had about them a kind of Roman swagger - at a time when other designers were turning out furs that were discreet and classical, Fendi made them fun (the in-house catch-phrase for what they did was to "demystify") which is why the choice of Karl Lagerfeld in 1964 as the designer of

the fur collection was so inspired. It is true that these days his conscience about using fur is troubling him and he has gone a bit sober on them but through most of his years as their designer he has kept their collection right at the cutting-edge of the pelt trade.

From furs and leather purses Fendi went on to provide more goodies for those with Fendi tastes - ready-to-wear clothing, scarves, ties, gloves, pens, stationery, shoes,

lighters... name a life-style accessory and Fendi will have provided it.

Every proper fashion house these days seems to feel the need to market a fragrance, and so the Fendi fragrance for women was launched shortly after the one for men.

You might have thought the Fendi world was now complete. You would have thought wrong. From the concept of dressing the woman, it is but a short step to dressing the home and this is what Fendi proposes to do.

It has expanded into what, for lack of more enterprising words, I can only call the life-style arena - Fendi fans need no longer surround themselves with furniture of dubious lineage.

Those who relate to the Fendi label can sit in Fendi chairs, lounge on Fendi sofas and eat off Fendi tables.

Fendi Casa, as the furniture line is called, is designed by a group of in-house designers but, as is the tradition of the house, one of the formidable sisters, in this case Anna, supervises it.

The best thing to be said about the range is that it looks unquestionably Italian. But this is not the Italy of the cornetto, of Neapolitan arias, Venetian gondolas and pizzas, but the quiet dignified Italy that exists behind the shutters in even the busiest cities.

It reminds one of the shaded sitting-rooms in tall Milan houses, of quiet formal dining-rooms in Roman apartments. As the photograph of the sitting-room shows, the simple lines of the room are never dull, the lack of clutter generates a feeling of great strength and tranquillity.

The design lineage, which the house of Fendi openly acknowledges, is Biedermeier, fin-de-siècle Vienna and the best of Art Deco.

Not all the pieces are to my personal taste - a few suffer from the over-heaviness of line common in bourgeois Italian homes - I like best the strong chair photographed here (Domiziana) and the less for-

mal range known as Esposito.

Here there is little that is startlingly new but much that is pleasing. The range depends upon using very chic fabrics in a soft, draping, informal way.

Though today the idea of abandoning stiff upholstery in favour of loose draped fabrics may seem old-hat, when Fendi first launched it in 1983 it was quite new in its field. The notion that very expensive furniture might borrow from the slightly Bohemian aesthetic of the Hippies seemed, at the time, quite revolutionary.

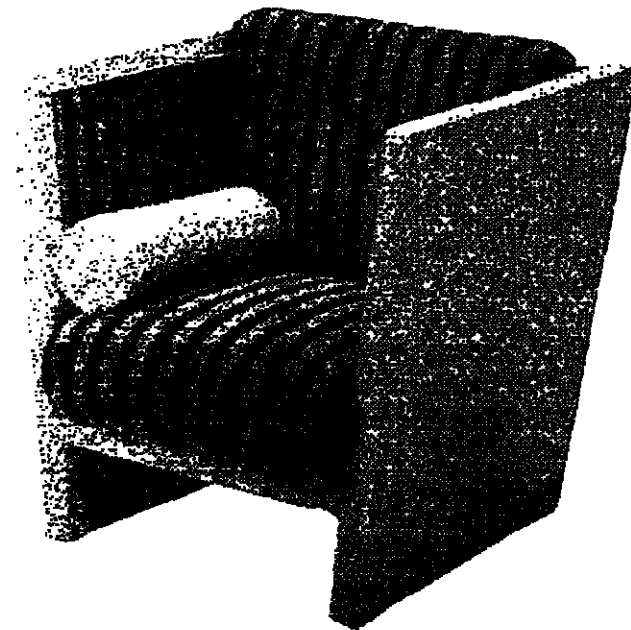
Instead of taking the Indian bedspread or the Bedouin rug, however, Fendi has taken severely striped fabric and used it to drape sofas, cover tables, upholster steamer chairs, directors' chairs and folding tables. The effect is

nonchalant and offers the sort of furniture that could fit into almost any home from the formal to the most laid-back.

Though Fendi Casa has been around for a little while in Italy, it is only for the first time becoming available in the UK. It is on sale, exclusively to order, through Charles Page, 61 Fairfax Road, Swiss Cottage, London NW6 4EE (tel: 071-328 9851).

In the shop there are a few examples of the range to be seen and tested as well as samples of the whole fabric range. Every piece of furniture can be covered in any of the fabrics.

Prices are not low - fine leather and high-quality fabrics are used throughout. Domiziana, for instance, the chair photographed, costs £1,435, while the Farnese range of chairs and sofas run at about £295 for a single chair, £1,930 for the two-seater sofa and £3,050 for a three-seater sofa.



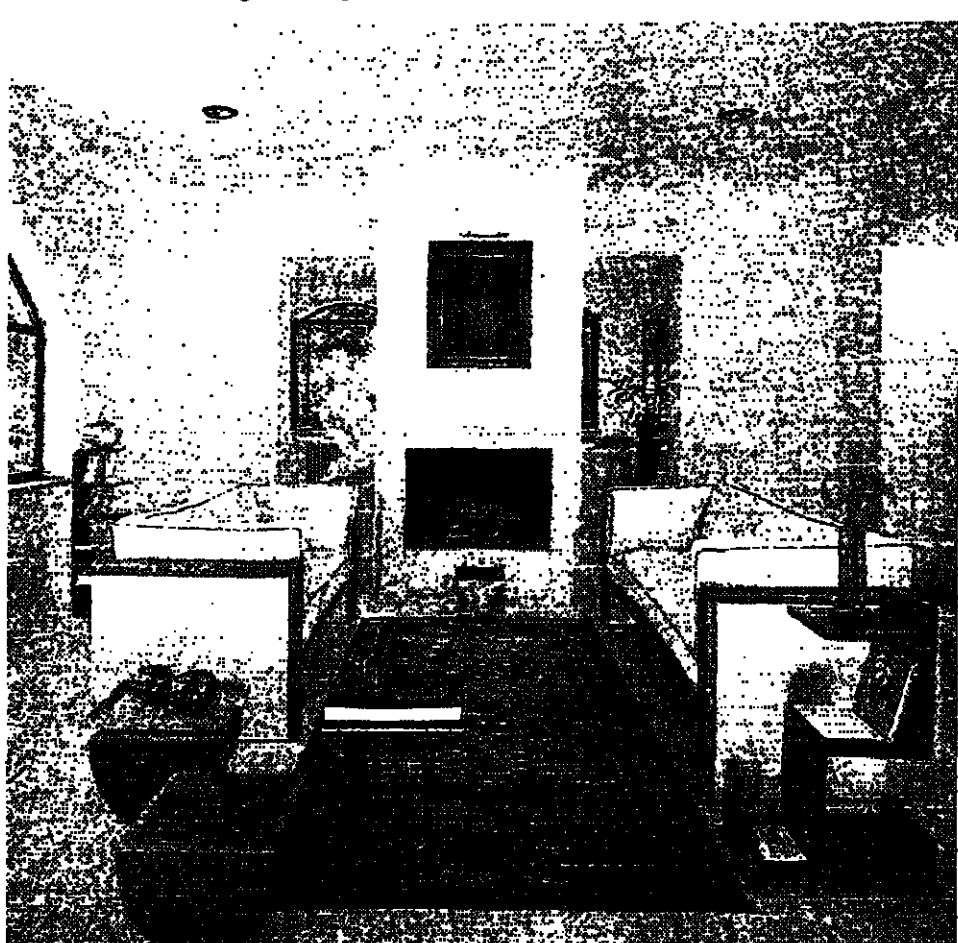
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□ Above: Domiziana - a chair costing £1,435.
□ Right: the Farnese range - £1,930 for the two-seater sofa and £3,050 for the three-seater sofa.

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FOOD AND DRINK

Beautiful Swiss wines to yodel about

If you go to the trouble of tracking down a bevy of beautiful wines made in minute quantities with impeccable fastidiousness in a building that looks like a Swiss cowshed, you expect an exclusive story. But the longer I spent with Daniel Gantenbein, the more I realised I was treading in the footsteps of wine luminaries by the score.

Paul Draper, master winemaker of California's Ridge Vineyards, had apparently visited Daniel in this corner of eastern Switzerland last summer. The pair communicated in Italian, familiar to Daniel from his holidays in Piedmont (he rents a small vineyard to Elio Altare).

Gantenbein wines may be difficult to track down, even in Zurich, a few miles to the north-west, but they can be found on the list at Piedmont's famous Da Guido restaurant, as well as in the more notable local restaurants, and those

immediately north in Liechtenstein. They may also try to export to the US.

When I raved about the quality of his Riesling-Sylvaner 1992, I was told that that was the wine of which Ernst Loosen, whizzkid of the Mosel, had ordered a case.

And in Daniel's personal wine cellar, hallowed out of the slate underpinning his native village of Fläsch, were all the names one would wish for oneself: Bordeaux's great names, Pinot 1990 red burgundies, a tranche of Domaine de la Romanée-Conti, Grigal, Ridge, and a gaggle of bottles from the Mosel's Grosse Ring aristocracy.

Daniel is the only producer of the Grosse Ring's own raw material in his area. "For me Riesling, with Chardonnay, is the white grape variety."

This small wine region in eastern, German-speaking Switzerland is the viticultural heart of Graubünden canton, the Herrschaft, which pro-

duces predominantly simple, sweetish Blauburgunder (the Pinot Noir of Burgundy, of which the Mariasfeld clone is widely revered here) together with Alsace's white grape varieties, Müller-Thurgau and Compler, an eye-watering local curiosity.

'Come downstairs and I'll show you my concentrator.' Jancis Robinson uncovers the secrets of some fine wines made in minute quantities

The local market (truly local; the wines are almost unknown in French-speaking Switzerland) sustains relatively high prices here. Vines are planted on steep slopes and all sorts of crops, but viticulture is the most profitable agricultural activity in this dramatically beautiful corner of Switzerland, through which thousands of skiers hurtle each weekend en route for Klosters and Davos.

The twinkling, energetic Daniel was, until relatively recently a mechanic, and is still a meticulous craftsman, whether in winemaking or restoring his ancient farmhouse. After his wife, Martha, had qualified in viticulture, he studied wine-making, both at the local wine

There is his infatuation with, and exposure to, the fine wines of the world (last year he and some friends had organised a wine tasting which culminated in an 1899 Montrachet).

There is also his practical determination to get things right, bot-

grapes, and, perhaps most importantly, the low yields encouraged by Martha in the vineyard, much lower than the Swiss norm.

Gantenbein Blauburgunder tastes like serious red wine with a future, the product of a minimal intervention winemaking policy.

It is not surprising that it commands a 50 per cent premium on the going rate for the region of SFR12 (£5.60) per bottle.

But the much rarer white wines are possibly even more distinguished. Daniel's Weissburgunder 1990 was picked with a potential alcohol level of 13 per cent and was fermented cool and long - "just long enough to make people angry". It is probably the best Pinot Blanc I have yet tasted.

Perhaps it is inevitable that Daniel makes a Chardonnay (SFR25 a bottle) but so does the rest of the world.

But no one else I know makes a rich, red wine like the mystery he

produced at the end of my tasting in his house.

It was very dark and dramatically concentrated, with lovely spicy fruit. Because we had been discussing the new concentrators that are being employed in Bordeaux to make claret more intense, I half-seriously suggested that this was the product of a concentrator.

His eyes lit up. "Come downstairs and I'll show you my concentrator," he smiled, scampering down a dark staircase to a whitewashed chamber, windows open to the village street.

Here were stacked wooden fruit boxes full of Pinot Noir grapes drying and sweetening, in imitation of the Italian passito technique used to produce Recioto and Amarone.

This extraordinary hybrid of a wine sells at auction for more than SFR200 a half bottle, which must go some way towards subsidising the Pomsots resting quietly next door.

Cookery/Philippa Davenport

Qu'ils mangent de la brioche

No food is more fundamental in the west than bread. Those who go out to work are breadwinners. Lose your job and you may be on the breadline. Give us this day our daily bread, we pray.

Bread was the trencher on which other foods were served before dinner plates were commonplace. The rich who feasted on meat may have fancied their bread soaked in gravy but etiquette demanded that they left their trenchers uneaten. That way the bread might be given to feed the less fortunate.

For centuries bread was a mainstay of meals for the majority. And it remains important in the thrifter corners of Europe where traditional bread soups and bread salads are much in evidence.

Bread soups consist basically of bread and water plus a little of whatever local produce is plentiful and cheap. Hard rations you may say. Certainly such fare must seem monotonous if you have no choice but to eat it week in week out. But, for those of us who can dip into bread soups just occasionally - like Marie Antoinette playing at milkmaids - few foods seem more satisfying and soothing.

Bread soups are basic and highly practical. Amazingly speedy one pot dishes - non-cook cooking - they are just right for the tired, the busy and the culinarily inept. Con-juring substantial comfort from very little they come to the rescue when Mother Hubbard's cupboard is bare and the housekeeping budget reaches rock bottom. More than that they can be utterly delicious, the individual flavours of an area giving each soup its territorial character, while plenty of soaked and swollen bread provides solid sustenance.

In Tuscany I will happily eat Pappa col Pomodoro for several days on the trot: tomatoes, garlic, basil, olive oil and water simmered fruitfully and thickened with generous chunks of

bread to make a pappy pink porridge. Alas this lovely bread soup does not travel well, rich vine-ripened tomatoes being beyond British reach.

Much easier to reproduce here is Mourtrou from south west France. For two people scald three ladles of pure rich chicken broth and enrich it with a pinch of saffron. Add a few meaty chicken scraps taken from the wings if you are feeling indulgent, or a little snipped parsley, and pour the mixture slowly over 3oz of stale, roughly torn country bread encouraging the crumb to sop up as much of the flavoured liquid as it can hold.

From the same region but simpler is Tourin. This con-

Europe has a tradition of bread soups. Only in Britain have they been gentrified out of recognition

sists of onions fried in duck or goose fat, seasoned and stewed in water, then poured over slices of bread, usually with the addition of an egg or two. When all the solids have been eaten and little liquid remains in the soup bowl, the spoon is laid down, a slurp of wine or something stronger is added to the bowl, and the remnants are drunk in one lively swig. Shades of the onion soup of porters at Les Halles, served complete with heartwarming rafts of cheese topped bread and petit trou.

Spain brings us Gaspacho. Today it is often tarted up with a stream of extravagant garnishes. The original peasant dish would have consisted of little more than cooling draughts of water made fragrant with a few crushed tomatoes, a little cucumber, garlic and crusts of bread. Much more refreshing.

In Portugal, where 20th cen-

tury sophistication seems to have made relatively little impact on home cooking, traditional country dishes that major on bread still abound and a love of *acordas* and *migas* remains widespread.

Acorda Alentejana, which may or may not include eggs, is a great favourite. To serve two people, crush 2 garlic cloves with ¼ teaspoon salt and soften them briefly in ¼ tablespoons olive oil. Season with pepper and 2 tablespoons chopped green coriander. Pour on 1pt water, bring to a brisk boil and poach 2 eggs in it if wished. Ladle the aromatic liquid over a scant 3 oz bread broken into rough chunks. Add the eggs and sprinkle on another tablespoon each of olive oil and chopped green coriander.

Even the Swiss still serve a traditional bread soup: a few roots and leeks sliced, sweated and stewed in water until soft, thickened to a porridge with hefty chunks of bread and finished with a grating of cheese. Only in Britain do bread soups seem to have been gentrified out of all recognition, the bread reduced from central component to genteel garnish. The most bread offering you are likely to get here is a modest spoonful of tiny, neatly diced fried bread croutons scattered over a light cream of vegetable soup. Hardly substantial enough to keep up the strength of a two year old.

I have, though, come across East Anglian references to something called Suffolk Kettle Soup. Consisting simply of broken bread, a knob of butter, salt and pepper with boiling water poured over, this is said to cure a sore throat if drunk in bed. More medicinal than pleasurable?

Elsewhere there are mentions of an ancient Cornish bread soup known variously as Kettle or Kiddley Broth. Made with a little onion cooked in butter or dripping or with a few rashers of streaky bacon, then stewed with plenty of water (and sometimes a splash of vinegar), additionally fla-



voured with marigold petals in one version, and poured over squares of stale bread for serving, this sounded more promising than the Suffolk cough remedy. I tried it but was uncharmed.

It struck me then that, given Cornwall's coastline, seafood might make an appropriate alternative to fat bacon. So I adapted the manuscript version of the recipe to suit my own whims. The resulting soup lacks historical accuracy of course but it tastes pretty good.

To make My Kiddley Broth for two people, first chop a shallot or two (or half a small onion) and sweat it for 5 minutes in 2 tablespoons butter or olive oil. Add 1 teaspoon white wine or tarragon vinegar and let it bubble up vigorously. Add ¼ teaspoon salt, 2 tablespoons chopped flat leaf parsley (or better still coriander leaves) and 1 pt water.

Bring to the boil and boil for 2-3 minutes.

Add ½lb cleaned mussels, cover and cook briefly until opened. Lift the cooked mussels from the broth and half-shell them, shell them completely, or leave them as they are, as you wish. Then mix them with 3oz good quality, roughly torn bread and spoon the broth (but not any sandy mussel sediment) over them.

Britain is of course meat-rich dairy country and we are notoriously sweet-toothed. So it is hardly surprising to discover that, whereas other countries used their leaves to make substantial water-based soups, we generally preferred to dunk our stale bread in milk to make puddings.

Our recipe books are jam-packed with examples of this kind. Think of queen of puddings, quaking pudding, bread and butter pudding, brown bread ice cream, charlottes and

ambers, summer pudding, treacle tart, poor man's bakewell, and the use of breadcrumbs instead of flour for superior steamed scones.

I can think of only one traditional savoury with stale bread that has survived here. Bread Sauce, made with the virtue of its instant, effortless preparation. It is the cure-all I turn to gratefully when low in spirits or poor in health, when bed, a good book and a hot water bottle beckon. Or I will eat it for breakfast on a cold morning. Any excuse will do.

For Bread and Milk for 1-2 people, depending on the degree of comfort needed,

equivalent of bread sauce: bread and milk, once a nursery favourite but largely forgotten today except for feeding pet hedgehogs. What a shame. I loved it as a child and I love it now, a basic inebriant version of bread and butter pudding but even more comforting by virtue of its instant, effortless preparation. It is the cure-all I turn to gratefully when low in spirits or poor in health, when bed, a good book and a hot water bottle beckon. Or I will eat it for breakfast on a cold morning. Any excuse will do.

For Bread and Milk for 1-2 people, depending on the degree of comfort needed,

break 3oz or so of *challah*, *bricche* or other enriched white bread into pieces. Plain white bread will do at a pinch but bread and milk should be a treat. Butter the bread and sprinkle it with pinches of ground cinnamon. Add smears of honey if you like and put the bread into a bowl or bowls. Scald ¾-1pt Jersey milk with a shake of pure vanilla extract, sweeten it with 2 teaspoons vanilla sugar (or slightly less if honey is used) and add an optional teaspoon of brandy. Pour the flavoured milk over the bread and stir until the crumb sponges up and the butter is melted.

Appetisers/Jill James

A collector's menu

Judging by the interest shown in the sale of the late Elizabeth David's kitchen contents and books, a lot more people are becoming interested in the history of food and drink.

To answer this demand Liz Seaber and her Austrian husband, Gerd, have set up Antiquarian Cookery Books at their home in south London.

Liz Seaber had the idea for the company when she inherited a library of 7,000 books in the US. She had to auction the bulk of them and was only able to bring back about 1,200 of the most interesting and valuable to Britain - but the book bug had bitten.

Having spent most of her life in publishing - she is a keen book collector and ama-

teur cook - Seaber feels that now is the time to have some fun by turning her hobby into an occupation.

If, for example, you are interested in buying Hannah Glasse's *The Art of Cookery*, then Seaber has a couple of editions - including one printed in London in 1796 for six shillings - at £175 each.

An early Isabella Beeton's *The Book of Household Management* (Ward, Lock and Tyler), is priced at £110 and, for those who missed out on the Elizabeth David memorabilia auction, a first edition of *English Bread and Yeast cookery*, possibly David's best and most scholarly book, is available in good condition for £35. Do not think you have to fork out a fortune on early

English cookery books - prices start as low as £5 or £6 and cover many national cuisines. And there are some quirky little bargains in the list - Norman Douglas's *Venus in the Kitchen* (Heinemann) is a mere £15 for the 1932 first edition.

Drinkers need not feel left out - first editions ranging from Hugh Johnson's 1971 *The World Atlas of Wine* (£25) and André L. Simon's *The Connoisseur's Guide to Wine* (£50) are listed. A catalogue giving the prices, illustrations, publishers and detailed condition of each book can be obtained free from Liz Seaber, Antiquarian Cookery Books, 10 The Plantation, London, SE3 0AB. Tel: 081-852-7807. Fax: 081-318-4678.

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PROPERTY

For lovers who can tryst the night away

Gerald Cadogan suggests some discreet meeting places

The distinguished, silver-haired man, accompanied by a beautiful young woman, entered the Kensington office of a well-known estate agent. It was December 19. "We're looking for a small flat," he said. "What can you show us?"

At the fourth one, she put her arm through his and said: "Darling, I'd love this." He turned to the agent and offered, almost the full asking price. Then, he took the agent into a corner. "I'd like to give it to her for Christmas."

That same day, the senior partner of a smart London legal firm telephoned to confirm the deal and contracts were exchanged on December 23 - to the delight of agent and vendor, who had achieved an excellent sale, and presumably to the joy of the pair ensconced in their "love nest".

The term appears to date from 1919 when the *Oxford English Dictionary* defined it as "a secluded retreat for (esp. illicit) lovers". But the idea must be as old as adultery - somewhere discreet to park the mistress or toy-boy for surreptitious visits. (Rumour had it that this once used to be a special function of the cream-stuccoed villas in St John's Wood, London.)

Such a place is not for couples living together day by day, even if they are not married. Either one lover lives there all the time, courtesy of the richer (and usually older) partner. Or they meet there only for trysts. Such people make ideal residents. They pay promptly, are generous to the cleaning woman or housekeeper, and do not punish the place with the wear and tear of permanent occupancy.

In the country, it is hard not to be seen conducting an illicit romance, but London has plenty of discreet properties. And the love nests are not always where you would expect.

At one house in Kensington, west London, the man installed his mistress next door to himself and his wife. He then knocked a hole in the party wall and had a door fitted - in the back of the mistress's bedroom cupboard.

So where to go? Always quiet, Mayfair is a good meeting ground, as former government ministers can reveal. 24 Hays Mews, W1, is a pretty city cottage with one bedroom, ideal as a pied-à-terre in town that doubles as a trysting place. Wetherell offers a 56-



For £159,000: a converted coach house in Crescent Grove, London SW4

year lease for £197,500.

More useful still might be 21a Brick Street, W1: £225,000 freehold from Chestertons Residential. It is tucked away in a mews behind the Park Lane Hotel and has a garage for a quick getaway (or to hide the car from *paparazzi* who know the number).

On the other hand, Vivien Thompson, of buying agent Property Vision, points out the advantages of buying a small flat in a grand block. Assuming a reasonable price, such a property can have all the advantages of a central location plus porters to keep watch when you are not there.

MPs are often on the lookout for such a place, as they cannot afford to be too far from parliament. But the problem is finding something close enough to reach the House in time to vote after the division bell installed in the flat rings - especially if there is a need to dress first.

After all, there are only eight minutes from calling a division to locking

the lobby doors, and the traffic jams in central London are legendary. Walking or bicycling seem to be the answer.

If there is nothing available in Smith Square, Lord North Street and Strutton Ground to the south and west of parliament, go north. 71a Whitehall Court, SW1, is a one-bedroom flat in a large block with portage which meets Thompson's criteria admirably. Knight Frank & Rutley offers a 34-year lease for £195,000.

Belgravia, Kensington and Chelsea are also too far for a quick dash to the Palace of Westminster although they have plenty of small flats with one and two bedrooms. Strutt & Parker has a good selection.

The 22-year lease outstanding on 64 Pont Street, SW1 (price £138,000) should outlast any romance. And £100,000 buys a fourth-floor flat at 4 Sloane Gardens, SW1.



For £225,000: 21a Brick Street, tucked away behind the Park Lane Hotel

But the best place of all "to sin with Elinor Glynn" on a tiger skin - Or would you prefer "To err with her" on some other kind of fur? is the huge studio/drawing room of 49 Lyall Mews, SW1 which costs £115m for a 44-year lease from Lassmans. Cheaper, at £179,000 from Foxtons, is a New York-style loft flat in Cromwell Road, SW3.

If your love is on the periphery of central London, take your pick of 1 Glenthams Cottages, SW13, next to the playing fields of St Paul's School (Dixon Porter, £150,000), or Crescent Grove, SW4, a converted coach house near Clapham Common, convenient for the Underground station and with a walled garden for maximum privacy (Winkworth in Battersea, £159,000).

On the north side of the Thames, Rio Cottage in Grosvenor Road, SW1, could not be in a more romantic setting and has just been sold for £275,000 from Winkworth, in Pimlico. The original asking price was

£345,000. It is the refurbished old cottage of the gatekeeper who controlled the sluices where the Tyburn (better known uphill at Marble Arch) ran into the Thames.

The Tyburn is now in a tunnel and the house sits on top of this, with all the back windows looking out on to the Thames.

And you might also think of England in a flat in the main turret of the Gothic Royal Victoria Patriotic Building, SW18 (to rent from the same agent for £500 a week). There is a secret entrance from a self-contained "manny" flat to the "study", and three exits - but now we are talking French farce.

Further information: Chestertons Residential (071-629-4513); Dixon Porter (081-378-2323); Foxtons (071-370-4533); Knight Frank & Rutley (071-629-3171); Lassmans (071-495-3434); Wetherell (071-493-6933); Winkworth, Battersea (071-828-3265) and Pimlico (071-828-1786).

Cadogan's Place Setback for Heseltine

Early in the 1980s Michael Heseltine, then environment secretary, started the programme which has brought the total of listed buildings in England to almost 500,000. Now, wearing another hat as squire of Thenford, Northamptonshire, he has come a cropper with the listing regulations. South Northamptonshire Council has refused him listed building consent for alterations to a cottage he owns in the village.

The roof and the windows are what stymied him. While the cottage now has a slate roof, it is clear that, originally, it did have thatch. Heseltine wants to put this back - but he proposed using Norfolk red, which is not regarded as the right material for the vernacular architecture of the area.

The local product is long straw which makes a rather wispy, shaggy roof - but this is now difficult to find. A possible alternative is combed wheat, which is neater but still not quite correct.

As for the windows, he planned to install sealed, double-glazed units. These may conserve heat but, again, they are inappropriate.

Such decisions about details are not easy for local councils although they are crucial for maintaining the character of an area. In any case, since the council's decision, Heseltine has re-applied for consent and proposes to keep the slate roof.

A glorious Queen Anne house, listed grade II, comes up for auction on Monday afternoon at the Berkeley Hotel, London SW1.

Hinwick House, in Bedfordshire, has been in the Orlebar family since Richard Orlebar built it between 1709 and 1713. The architect was probably James Hume of Northampton, who is said to have been a pupil of Grinling

Gibbons, the wood-carver and sculptor.

As with the sale of Brympton d'Everey in Somerset in 1992, money - or rather lack of it - is the reason for the sale. The house comes with several listed outbuildings plus a park, a lake and woods - 35 acres in all. Also included are five tapestries, 13 bedrooms and a four-seater lavatory.

I remember visiting Hinwick 20 years ago when it was open to the public. We were the first group to arrive on a Sunday afternoon when the family was sitting sleepily around the television. As we came in, they threw a cloth over the machine - which carried on all the same - as if it were a parrot.

Joint auctioneers Savills (071-499 8644) and Allsop (071-494 3686) suggest a guide price of £425,000-£475,000. Bidders should have a banker's draft or solicitor's cheque for at least £40,000.

□ □ □

In France only lawyers can bid in such forced sales, and they must also arrive with a certified cheque. Chartered surveyor Armstrong McCrea, in Monte Carlo, bought a villa at Grasse last week with two guest houses, two tennis courts and a swimming pool. It used to be rented by "Baby Doc" Duvalier, son of Haiti's infamous dictator, and was on sale privately last year for £1.5m.

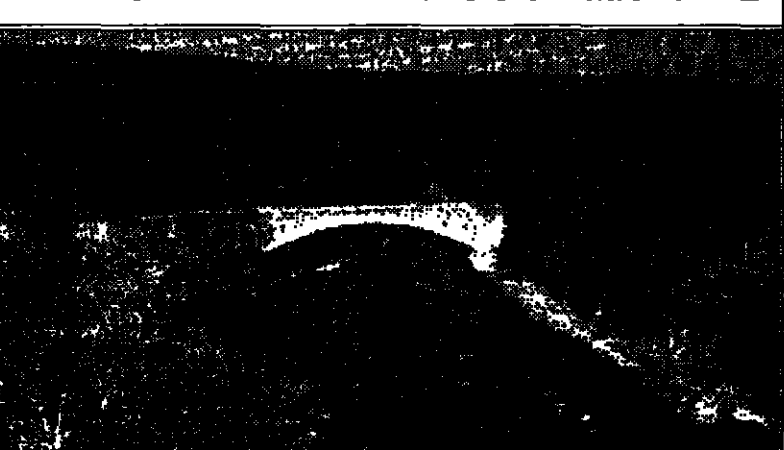
French auctions receive little publicity - just three brief visits in the company of the bailiff before bidding. The house went for £450,000, most attractive to the buyer but probably less so to the French tax collectors, who had foreclosed. More often, it is the bank that is the vendor.

Armstrong McCrea (33-93 50 71 97) runs a Riviera Culture Fund to look for similarly unusual chances to buy on the Côte d'Azur.

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The last was the best, a good 4lb. As I slid the net beneath its gleaming, silver flanks, I murmured my appreciation for the inspiration which had come to me that morning - and for a day redeemed from disaster.

Gaia the earth goddess makes a comeback

Oaker's book, too, is for dipping, perhaps when travelling or in planning to visit France. She has *strong opinions*, but is knowledgeable and enthusiastic about her subject.

Finally, since spring is upon us, there are three non-nonsense, hands-on guides to gardening from the Royal Horticultural Society at Wisley. Each is priced at £13.99 (Cassell, 256 pages) and each brings together three or four of the RHS's earlier handbooks. The new books are entitled *Making a Small Garden*, *Courtyard and Terrace Gardens* and *Planting Your Garden* – the latter concluding the earlier handbook by Christopher Lloyd on *The Mixed Border*.

***Bridget Bloom picks her way through
the latest crop of gardening books***

With similar activity in mind, I confess to having bought and given away at Christmas several copies of another slim volume published last year. *Gardener's Latin*, a lexicon by Bill Neal (Robert Hale, \$5.95, 136 pages) is a book for the gardener who has most things (except perhaps a classical education) and who likes to

"Of all the arts - painting, sculpture, music, architecture, dance, theater, even that arriviste, photography - only landscape design has been *derived* on account of its history and practicality. It grows out of the 19th century. Adams plots out these achievements, from the early struggle between the Formal and the Natural philosophies of garden and landscape design (the two are often seen as opposites) to the more recent Post-Modern efforts to integrate technology and its shapes into landscape design. He describes his 24 chosen gardens in often fascinating detail with some striking photographs by various photographers. Next come two very grand gardens indeed, Heather Angel's

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BOOKS

With his best foot forward

Malcolm Rutherford reviews a new biography of the man who held the Labour Party together

When he retired as a Member of Parliament in 1992, Michael Foot declined to go to the House of Lords on the grounds that he had always said the place should be abolished. More surprising, and far more regrettable, was his decision not to write his memoirs.

The task of producing his biography was taken on by Mervyn Jones, an old journalist friend, author of many novels and broadly a political soul-mate. Jones has risen manfully to the challenge. The published version of his book runs to 570 pages:

MICHAEL FOOT
by Mervyn Jones

Victor Gollancz £20, 570 pages

the full version has been placed with the Museum of Labour History in Manchester.

One may ask, however, whether this is the right way to go about it. Apart from the biography, Jones has provided a potted history of the events leading to the second world war, a summary of the cold war, and a history of the Labour Party seen from the left. It is as though Michael Foot was a pivotal figure throughout.

The truth is rather different. Foot was always an engaging man, but until relatively late in life his political influence was peripheral. He has perhaps two big claims to fame in British politics. The first is that he was instrumental in founding the Campaign for Nuclear Disarmament in the late 1950s. CND, whatever was said by its detractors, led to an intellectual concentration on the problems posed by nuclear weapons. It also contributed to the test ban treaty, which was the first serious attempt to bring the weapons under international control.

On the second claim to fame, the jury is still out, but the preliminary verdict must be sympathetic. Jones puts it starkly: "The truth about Michael Foot's place in history is that he was the man who saved the Labour Party".

Some people may argue that by the late 1970s the Labour Party had served its purpose and should not have been saved. A more telling

judgment will depend on whether there is ever again a Labour government. If there is, Foot will have done something to bring it about, for it was he who strove as much as anyone to hold the party together. In his early political life, Foot had always been a maverick. Initially he was a Liberal from a liberal family. He was never short of contacts. After Oxford, his first job was with a shipping firm in Liverpool, employed by the right wing brother of Stafford Cripps, and it was on Merseyside that he turned to socialism, though it was socialism of a quixotic kind.

Foot's patron was Lord Beaverbrook, for whose papers he wrote, despite dissenting views. His hero was Aneurin Bevan, of whom he became the biographer. Yet, as Jones points out, there was always a dilemma between politics and literature. Foot could do either, but was never quite sure which he preferred.

For a time he had it both ways. He entered Parliament for Plymouth Devonport in 1945 and held the seat for 10 years. In 1980 he succeeded Bevan as the member for Ebbw Vale. Before he died, Bevan had become a controversial figure on the left of the party because he refused unilaterally to renounce nuclear weapons.

Foot knew, from his Bevanite experience, how schismatic the party could be, yet for a decade he continued on the outside left. Then in 1970, when Harold Wilson lost the general election, Foot decided to move inside. He stood for the shadow cabinet, was elected and for the next 13 years, whether in government or opposition, played a crucial role in keeping the party just about intact.

This is the seminal part of the political chapters in the Jones book. Some of the information, drawn from personal interviews, is new. I did not know, for instance, how far Foot was behind the Lib-Lab Pact of the late 1970s, and I was surprised to learn that Denis Healey was utterly loyal to Foot until the end. Healey, like Foot, had the same instincts: the only practical course was to seek to preserve the party.

The man who was badly treated was Peter Shore, who once seemed Foot's candidate for the succession to James Callaghan as party leader. In 1980 Foot forgot to tell Shore in



time that he had decided to stand himself; the reason was that Foot was persuaded that he himself had the best chance of keeping the party together. Foot lost the general election of 1983 decisively, but the party survived. In the process, he had seen off the Social Democrats and Tony Benn and begun to resist the Militant Tendency. Perhaps he should give him the benefit of the doubt; no-one else could have done it.

Yet Foot is a much more attractive, eccentric man than those last few intensely political years suggest. He was prone to accidents: he suffered seriously from eczema and asthma (hence his absence from the war), then had a car crash which relieved him of both, but left him lame; hence his famous stick. He received gratuities from Beaverbrook which it is unlikely that a politician would survive today, but one does not doubt his independence. He wrote

wonderfully about Jonathan Swift and was one of the best speakers in the House of the Commons. His parliamentary ally was often Enoch Powell, who has also avoided the Lords.

Some of this lively side comes out in the book; much of it is lost in the padding. The pity is that Foot is now spending his time writing about another hero: H.G. Wells. Typical Michael Foot. It would be good to have the real memoir.

Adventures of 'Boz'

Anthony Curtis enjoys Dickens' early sketches of London life

This volume of Dickens' journalism, number one of a proposed four, starts in the 1830s when Dickens was employed as a reporter in the press gallery at Westminster Palace (before the present Houses of Parliament were built). His job was to record the debates for newspaper publication the following day. Grinding work but Dickens, who was barely 20 and who had taught himself shorthand, was highly skilled at it. He soon became known as the king of the gallery and he regarded the discipline he acquired during his time there as the foundation-stone of his literary career.

When Dickens was not at Parliament he made space to do some imaginative writing of his own, sketches of London life that were published in *The Morning Chronicle* and its recently started evening counterpart. He signed these literary pieces with the pseudonym "Boz" - borrowed from *The Vicar of Wakefield*, Goldsmith being one of his models.

Dickens was therefore two kinds of journalist simultaneously. A fully paid-up member of the NUJ, as it were, writing anonymous reports in the *Chronicle*, and under his pseudonym Boz, a journalist in the sense that Simon and Daman Runyon were journalists. All penetrated the mean streets of a capital city, sometimes the affluent streets too, making authentic popular fiction out of the lives and crimes of the people they observed there. This tradition of "faction" still flourishes.

To read this book is to inhabit the aggressive, noisy, teeming world of a rapidly expanding London just before the young Queen Victoria succeeded to the throne. To boost the family budget, the boy Dickens was cooped up for long hours in a warehouse near Hungerford Stairs sticking labels on bottles of blacking. Once he escaped he roamed far and wide through-

out the capital and its surrounding villages, his sharp eyes ever on the alert. All he assimilated he then re-cycled in a series of sketches, characters and tales composed by Boz.

Michael Slater, the professor of Victorian literature at Birkbeck College, the editor of the edition, describes their complicated publishing history in both periodical and book form. They were an instant success from the moment they were published, a fact that has tended to be obscured by the even more phenomenal success of *Pickwick* in 1836. Even after that Dickens continued to write Boz pieces to meet the continuing demand for them.

Although a narrative element is never far below the surface, it is at descriptive writing that Boz excels. His portraits of the convivial places of public entertainment, Astley's Amphitheatre, Vauxhall Gardens, Greenwich Fair

DICKENS' JOURNALISM: VOL. 1
edited by Michael Slater

Dent £20, 580 pages

contrast with his depictions of the backstreets around Seven Dials, the sewing women earning a pittance there, and the wretched customers of the pawnbrokers. Boz caught them all with an ironic phrase or two; he applauded the resourcefulness in adversity while he ruthlessly punctured the pomposity of the well-off.

Even at the height of his later fame Dickens never wholly gave up journalism. He edited periodicals - Bentley's *Miscellany* and *Master Humphreys' Clock* - which he filled largely with his own contributions. He helped to found a new newspaper, *The Daily Chronicle*, and for a while edited it. The subsequent volumes will contain his work of this later period. Meanwhile the edition has got off to an excellent start.

Thrills in the bond market

You have to admire Paul Erdman's nerve in writing a thriller based on municipal bonds. As a character in his story says, they are "so mundane, so tedious, so pedestrian". At least the author managed to find a catchier title than *Capital Appreciation Bonds*, the alternative description of the eponymous income-free securities.

To be fair, the novel does not by any means entirely revolve around zero coupon munis. It races along at a fair lick unless you unwisely stop to consider fault lines in the plot. Much more extravagantly it climaxes with a late 1985 German political crisis in which the chancellor is exposed for corruption, the Bundesbank chairman resigns and his successor shoots himself for failing to save the D-Mark, which suffers the same fate as sterling in September 1982. Norman Lamont, at least, would enjoy this.

After three years in jail for a junk bond scam, Willy Saxen emerges in mid-1985 with \$75m stashed away in Liechtenstein and an ambition to get right back into the game. He does not want to end up like poor old Bernie Cornfeld, a dead-end 40-year-old surrounded by champagne and girls.

So without even a tuxedo to his name, he moves into typical financial thrillerland - San Francisco - where everybody can be bribed, bullied, blackmailed or laid. He has spent most of his time in the correctional institution in the library, picking up information technology knowhow, and before you can say Sparcsaver workstation he is corrupting cronies in the kind of Californian restaurant where *Pinochet* is considered the last word in sophistication. Posing only to explain to the occasional glamorous billionaire widow the virtues of tax-free municipal bonds, Saxen is soon jetsetting across the globe.

Erdman's brand name-dropping style, with regular mention of real people, suffers from poor research, however. Saxen travels on an airline named British Air, and for some reason thinks George Soros runs Quantum Fund out of London rather than New York. Erdman also believes that the City of London would be open for busi-

ness on Monday January 2. Incidentally, names like Claridge's, Barron's, Warren Buffett and (occasionally) Deutsche Bank are wrongly spelt.

The plot revolves around Saxen's plans to buy a collapsing investment bank called Prescott & Quackenbush and turn it into an aggressive trader in derivatives. Along the way he picks up a stake in a dodgy credit rating agency to help him stuff a dozy investment institution with fraudulent bonds. But his big coup is to turn a hastily-assembled collection of former jailbirds and disgraced ex-Volkswagen currency traders into the hottest derivatives team since the days of *Wall Street*. When Germany suffers political and financial

ZERO COUPON
by Paul Erdman

Macmillan £14.99, 350 pages

collapse just after Christmas they are somehow the only people to notice and short the Df before the markets close for the New Year holiday. Poor old George Soros is left trailing behind, although at least by this time he has moved as far as New Jersey.

There is the required overdose of financial mumbo-jumbo, including talk of non-linear analysis through neural networks and genetic algorithms, and trading in a variety of semi-plausible products ranging from reverse floaters to index currency option notes. Only occasionally, fortunately, are there paragraphs of turgid explanation. Zero coupon bonds are, of course, by no means a figment of the lurid novelist's imagination although the variant described here appears to be more on the lines of the zero coupon perpetuals occasionally touted around the bond markets on April 1.

Paul Erdman puts the nonsense over with considerable style, and the book could help to while away a flight on British Air, whatever that may be. But after Willy Saxen pockets his profit the grim fate of Germany is left to the imagination, just as it arouses the reader's curiosity; better not read it on Lufthansa.

Barry Riley

Driven to nationalism

Christian Tyler on the internal struggles of central Asia

BETWEEN MARX AND MUHAMMAD
by Dilip Hiro

HarperCollins £25, 400 pages

and Afghanistan did not set the region alight.

The largely Sunni Muslims of central Asia have little religious affinity with Shia Iran - though many sought refuge there over the years - while the government in Teheran has

shown a pragmatic reluctance to let its religious enthusiasm interfere with trading prospects.

Turkey gloated at the prospect of a pan-Turkic alliance stretching virtually to the Pacific: not only was there a racial and linguistic connection and a coincidence of Sunni belief, but Turkey could offer commercial openings to the west. Yet when the Azeris looked to it for help against the Armenians, they looked in vain.

Hiro says Turkey's western assets, in this case membership of NATO,

proved as much a liability. He concludes that Russia will continue to be the dominant force in central Asia and Azerbaijan, with Iran and Turkey jostling on the sidelines as complementary suitors. Moscow will treat its former Soviet subjects as client states, much as the US treats the countries of central and south America. This is the reality which the UN appears already to have accepted.

Travellers thirsty for the colour and romance of former Soviet central Asia will not find it in this book. Dilip Hiro is a serious, methodical and objective historian of current affairs. But for the growing throng of diplomats and businessmen with an interest in the region, not least in Caspian oil - it must surely be required reading.

of suppression, of acceptance. Not that there is anything laboured or theoretical about the depiction of these philosophies. The Eldred family is particularly well done, the children and their friends all vividly and sympathetically realised.

Ms Mantel evidently has an equal familiarity with both Norfolk and southern Africa: she catches, for instance, the embarrassed ambivalence of well-meaning foreigners when they encounter the African reality - "The village men were meagre, spiritless and skinny. The women were great tubes of fat, blown out with carbohydrate... Their voices were harsh, monotonous, somehow triumphant. God help me, Anna thought but I don't like them, perhaps I fear them. These feelings were a violation of everything she expected from herself, of all her principles and habits of mind..."

My only hesitation is that, because the novelist's beam plays over so many characters, Ralph and Anna both remain a fraction under-exposed. They remain always at a certain distance. We recognise them, but we do not enter their private lives, and so we are impressed where we should be moved. Many readers will, I am sure, disagree with me.

J.D.F. Jones

Fiction Good Works go wrong

involved, were arrested and jailed and eventually deported across the border to Bechuanaland. There, in a wretched place on the edge of the Kalahari, they encountered catastrophe - a horrific tragedy the nature of which I imagine most reviewers will choose not to reveal.

A CHANGE OF CLIMATE
by Hilary Mantel

Fiking £15, 342 pages

Hilary Mantel's novel sets itself to describe, and to understand, the effect of this event on the subsequent lives of the Eldred family. Ralph as a young man had believed in "the complex perfectibility of the human heart". He is, and remains, a good man: "If we are not to be mere animals, or babies, we must always choose and choose to do good".

He struggles to make sense of the episode in the Bechuanaland bush and to

Hilary Mantel is generally agreed to be one of the most interesting and accomplished of the younger - or perhaps the middle - generation of our novelists. Her last book, *A Place of Greater Safety*, was praised for its portrait of Revolutionary France and won the *Sunday Express* prize as well as a few grumbles about its extreme length. *A Change of Climate* is certain to consolidate this reputation.

It tells of Ralph and Anna Eldred who have devoted their lives to what used to be called Good Works. He is director of a charitable trust in Norfolk and London, and his wife assists and endorses him and runs their family of four children. As Kit, the eldest, says, "My father is so bloody saintly it would make you sick, but the trouble is it's real, it's all real. My mother... she's saintly too".

The lives of the Eldreds unravel in the course of an East Anglian summer when their 20-year secret at last escapes. In the mid-1950s the Eldreds had been sent to South Africa to work with a mission. First they lived outside Pretoria in a freshhold black township which, like Sophiatown and Lady Selborne at that time, was to be razed by the apartheid government. They became politically

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ARTS

Two of the most important names in 20th-century ballet are under the spotlight once more

Choreographer to the great



Dance-actor of tremendous stature: the young Roland Petit with Irène Skorkin in 'La Fiancée du Diable'

Roland Petit celebrated his 70th birthday in January. Impossible, of course: the reference books lie, for this spirit of French ballet, French theatre, remains what he has always been, a creator (and an interpreter) of prodigious vitality, wit, and dramatic flair. And as if to prove it, Petit last week produced three new works for the Paris Opéra Ballet, their elegance and passion showing him as dazzlingly a man of the theatre as ever. It is the sheer craft, the mastery of means, that alone tell Petit's age and experience: no young choreographer today could be as daring, and tread the creative high wire with such aplomb.

It is fitting that Petit should mark this anniversary in the Palais Garnier, in which he grew up as pupil and apprentice dancer. He was, and he remains, the very essence of Parisian theatre. By 1945 he had fled its musty confines, had made his first creations, and had gained the friendship and support of some of the most significant artistic figures in Paris - Kocino, Bernard, Cocteau, Laurencin. His ballets of that period - *Les Femmes* with its troupe of strolling players, its insidious Sanguet score, its miraculous design by Bernard of a cart and a piece of red cloth; *Le Jeune Homme et la mort*, where death comes to a youth in a garret, beneath the flash of the Citroën sign - remain among the truest examples of French culture as the war years gave way to a renaissance of theatre, fashion, art, which Petit's ballets typified.

Petit has always been an admirable indicator of the latest ideas: has joyously explored ballet, theatre, cinema, music hall, often with his wife and muse, Zizi Jeanmaire; and has in everything been stylish, vivid, and - rarest virtue - totally unpretentious. His eye for design is unrivalled in the history of ballet, whence the fact that Picasso and Dior, Max Ernst, David Hockney, Paul Delvaux, Antoni Clavé, Yves Saint Laurent,

ent, de Chirico, Tinguely, Erté and the graffiti artist Keith Haring, are among those who have decorated his productions.

His sense of occasion, his ability to frame and enhance a dancer, have led to creations that have been worthy of Fonteyn, exquisite as the cat heron of *Les Femmes de la nuit*; of Baryshnikov, as Herman in *Queen of Spades*; of Makarova, as *The Blue Angel*; of Pliet-Skaya in *La Rose malade*; of Peter Schaufuss as the Phantom of the Opera. His stagings for Jeanmaire have taken audiences from ballet (Zizi as the first, the only Carmen) to cinema (Zizi and Bing Crosby in *Anything Goes*), and music hall (Zizi, positively Ziziissima, surrounded by *ses boys*, a mass of feather-

new pieces he has made for the Opéra Ballet. The thread on which they hang is scores by composers of the second Viennese school. The opening *Passacaille* uses Webern's opus 5 orchestral suite and the opus 1 *Passacaglia*. The choreography is plotless, the stage bare, the forces are a central couple - Agnes Letestu and Jose Martinez - with an attendant group of six couples. Costuming, by Hervé Léger, offers white, exiguous tops and skirts or briefs, the women crowned with Nefertiti-like caps. The image is of the Pharaohs on the beach at Cannes, and is ineffably stylish. And so is the dance, which looks hieratic, off-beat, and is stunningly done.

There follows *Rythme de valse*, with a chamber group at the back of the

and Wilfried Romoli) are no less feat, though the cream of the ballet lies in its first section, where Petit states his cunning choreographic thesis.

Petit's dramatic taste has often seemed haunted by death, and never more violently or more frankly so than in the *Camera Obscura* which closes the bill. This is a trio whose emotional situation was sparked off by Nabokov's novel, *Invitation to a Beheading*. Petit subtitles it *Love is blind*, and the love of the wealthy Albinus (Patrick Dupond) for a sluttish cinema usherette, Margot (Marie Claude Pietragalla), is blind in its obsession, as in the fact that he is deprived of sight after a car accident. Albinus becomes aware of Margot's passion for the young Rex (Nicolas Le Riche). He seeks to shoot him, but is, instead, shot by Margot.

It is not this grubby narrative that occupies Petit, but its inner world of sexual obsession. To convey it, the choreography becomes more frank, more greedily sensual, than anything I have seen from him before, the dramatic scheme more allusive and more potent. The score, assembled from Schoenberg piano works, is ideally resonant. Performances, like the feelings they convey, are incandescent: Pietragalla, presented as irresistible flesh, is superb. Dupond catches all Albinus' sexual hunger; Le Riche admirably shows Rex's lustuous physical allure as well as his miserable lack of courage.

Once again, Petit has illuminated the gifts of exceptional dancers. Once again, with Bernard Michel's light installation of a set - neon, lasers - he has shown a way forward in stage imagery. Once again, he has demonstrated that panache, that unerring understanding of the theatre - where ballet, let us never forget, must live and flourish - which has always fired his art, as creator, performer, director.

The Petit programme is at the Opéra Garnier, Paris, on March 19, 21, 22.

The elegance and passion of Roland Petit's latest work show him as dazzlingly a man of the theatre as ever, says Clement Crisp

ers, and those miraculous legs set to conquer the world). And there has been Petit as director for the past two decades of the fine Ballet de Marseille, for which he has made an astonishing variety of work.

For Petit is a consummate man of the theatre. He has been, and remains, a dancer-actor of tremendous allure. He has made memorably good full-length ballets: *Cyranus* dazzled by its economy and imaginative wit; *Les Intermittences du coeur* was a poetically sensitive exploration of Proust's world; *Noire Dame de Paris* and *The Phantom of the Opera* were hymns to his native city as well as skilful adaptations of two popular novels. He has re-made, gracefully, ballets classics - a joyous *Coppelia*, an unfailingly happy *Nutcracker*. He has even published a volume of memoirs, *J'ai dansé sur les flots*, which is a series of lightning sketches of his work and friends, and like his choreography and his dancing, blazes with life.

The life-force is strong in the three

stage playing the Strauss waltzes that Berg, Webern and Schoenberg orchestrated for a musical evening. Three couples are each occupied with their own number, then united for the closing *Empress Waltz*. The girls appear wearing Léger's ballooning skirts, then step out of them to dance in striped leotards. Their partners are in vestigial Hussar outfits. We are, we may suppose, to see the skeleton of the waltz itself. Not even that! With what I salute as his conjuring tricks, Petit makes each couple do everything except waltz. They make jokes, hint at mad steps, stretch, strut, embroider movement ideas and, yes, they are inhibited by the insidious onward pulse of the waltz itself.

The piece is a capriccio by a master, most successful, I think, in the opening waltz which is done with adorable and youthful ease by Aurélie Dupont and Eric Quilleré. Mlle Dupont is beautiful, entrancingly cool; Quilleré is ardent, brilliant. The other couples (Carole Arbo and Lionel Delaune; Fanny Gaida

Today's most famous dancer

After four years and ten tours, Mikhail Baryshnikov's modern dance troupe, the White Oak Dance Project, finally opened in New York last week. Why had Baryshnikov avoided New York for so long? Was it - as certain New York reviewers asked with obvious satisfaction - because of the New York reviewers? Maybe a little. Baryshnikov's nine controversial years as director of American Ballet Theatre (1980-89) did not leave him with tender feelings either toward large dance companies or toward the New York dance world, with its "politics and policies," as he put it darkly in a recent interview with *The New York Times*.

When, after leaving ABT, he founded White Oak, he said that this troupe would be "for

fun." He wanted to experiment, in a relaxed atmosphere. That is why he hired older dancers. (The company's age range is 31 to 46: no teenagers, no hysteria.) And that, no doubt, is why he did not rush to arrange a New York season, which, for almost any company, is a tense, over-advertised, over-analysed, money-losing business.

About money, he need not have worried. Baryshnikov is still the world's most famous dancer, and he performs at every White Oak show. Given that fact, White Oak normally sells out any theatre it enters. New York State Theater was no exception. When Baryshnikov stepped onstage on open-

ing night, so many flashbulbs went off that it looked as though someone had turned on a strobe light. (Later performances began with a stern announcement forbidding cameras.) New York may be a tough town but it still loves a star.

This very fact - that Baryshnikov alone sells tickets - has led some writers to ask where White Oak would be without him. But such questioning implies that all Baryshnikov does at White Oak is dance, which is not the case. It was he who selected this largely excellent company; he also chose, and pays for, the superb six-person musical ensemble, headed by Michael Boriskin, that accompanies the troupe's performances. (Live music is now a rarity at American modern dance performances.) Finally, Baryshnikov is the one who put together White Oak's repertoire, and it is stamped all over with his ideas, his history. Baryshnikov defected from the Soviet Union in 1974

because he wanted to dance new roles, not just *Swan Lake* and *Giselle*. But in fact he spent most of his early years in the West performing the "classics", for that is what audiences wanted to see him in. Twyla Tharp created a number

Joan Acocella reviews Baryshnikov's White Oak Project

of brilliant jazz-based dances for him, and he put in guest appearances with various modern dance companies. Still, he had a hard time breaking out of the "prince" track, and this left him with an extreme reverence for American modern dance. He has made White Oak's recent repertoire a showcase for that tradition, with works by Graham, Hanyu

Holm, Jane Dudley, Paul Taylor, David Gordon, Meredith Monk. In the process, he has saved some lovely pieces, such as Holm's *Jocuse* from oblivion.

For the New York season he added a Merce Cunningham piece, the 1970 *Signals*. *Signals* looks vaguely like a weekend party. People are lounging around in chairs. One by one, they come forward to dance introspective solos and duets; then they return to the group. It is as if we were seeing their public lives onstage, their private lives downstage.

In White Oak's hands, *Signals* did not have quite the same high-ozone purity as when it is danced by its home troupe, but that is always the case when a Cunningham piece is set on another company, and the lyric power of White Oak's rendition is a testament to the strength of Cunningham's work.

But Baryshnikov does not just re-stage modern dance; he commissions it. His success in this department is mixed. New

to the repertoire this season were works by two young choreographers. Kevin O'Day, a White Oak dancer, presented the sweet-tempered and well-made *Quartet for IV*, to music by Kevin Volans; and Joachim Schlömer, director of Germany's Ulm Ballet, contributed *Behind White Lies*, an agonisingly boring work in which, to judge from their stalling, pallid movements, the six-person cast underwent some extreme hardship (the decline of the West? the crisis of modern belief? to the accompaniment of Schönberg's String Trio).

The most important commission of the season, however, was Jerome Robbins's *Suite of Dances*, a solo for Baryshnikov to four movements from Bach's *Suite for Solo Cello* (played onstage by Wendy Sutter), and this was a real little beauty. Like much of Robbins's work, it is about the relations between "natural" movement and dance movement, but in the relations that Robbins creates going, for example, from what looks like any old hop to a *pas de chat* to a seam leap to a *grand jeté* - we seem to see ballet flowering, before our eyes, for the first time.

This illusion is abetted, needless to say, by the fact that the dancer is Baryshnikov. At 46 he still has a thousand steps, and a line so beautiful that it brings tears to your eyes. But what this dance showcased



Baryshnikov: at 46, he still has a thousand steps

was his musical imagination, the sheer breadth of his response to music - comic, tragic, puckish, mysterious - and his ability, through steps in time, to conjure those states into being.

This was not a solo; it was a duet, for Baryshnikov and J.S. Bach, staged by a third master, Robbins. If Baryshnikov's fame is what sells tickets to White

Oak, the tickets are worth every penny.

The forthcoming White Oak tour includes Italy (Milan, April 13-21; Reggio Emilia, April 23; Florence, April 26); Sweden (May through July, the US and Canada (Philadelphia, Minneapolis, Chicago, Vancouver, and other cities).

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An Easter Message

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TELEVISION

BBC1

7.25 News. 7.30 Waking the Dead. 7.50 Galaxy. 8.00 Live and Kicking.

12.12 Weather. 12.15 Grandstand. 12.20 Football Focus: Bob Wilson looks back at last week's FA Cup sixth round. 1.00 News. 1.05 Racing. A review of the leading horses, jockeys and trainers from the National Hunt Festival at Cheltenham. 1.20 Rugby. A preview of the day's action. 2.35 Rugby Union: England v Wales. Live coverage of the Five Nations Championship match from Twickenham, as Wales strive to achieve their first Grand Slam title since 1978 by repeating last season's Cardiff victory. Nigel Stanger-Smith and Eddie Butler commentate. 4.15 Rugby Union: Scotland v France. Highlights from Murrayfield. Can the Scottish XV achieve its eighth consecutive win over the French? Commentary by Bill McLaren and John Jeffrey. 4.40 Final Score. Times may vary.

5.15 News. 5.25 Regional News and Sport. 5.30 Tom and Jerry Double Bill. 5.45 The New Adventures of Superwoman. Lois's life is endangered when she witnesses the murder of a scientist by a gang determined to destroy the Amazon rain forest.

6.30 Noel's House Party. Noel Edmonds hosts more fun and mayhem from Cheltenham. Bottom as Dr Who John Partridge is awarded a special award for his showjumping star Lucinda Green tries to grab a Grand.

7.30 Big Break. Joe Johnson, Paul Davies and David Taylor help contestants compete for the star prize. Do the Right Thing. Terry Wogan hosts the proceedings as Fleet Street editors Andrew Neil and Eve Pollard join regular panelist Frank Skinner to tackle an ethical dilemma. Birds of a Feather. Sharon and Tracey help out when man-hungry neighbour Dorien suffers a mild crisis.

9.15 That's Life. Esther Rantzen presents a selection of hard-hitting investigations and real-life humour. 9.55 News and Sport. Weather. 10.15 Match of the Day. 11.15 Film: Siege at Marston. A fanatical religious cult's defiance of authority culminates in a tense stand-off with the police and FBI. Cast: Dennis Franz and Tess Harper (1992).

12.45 Weather. 12.50 Close.

BBC2

8.00 Open University. 12.15 pm Film: Station West.

1.45 Great Crimes and Trials of the 20th Century. Robert Powell re-enacts the evidence in the case of Dr Samuel Sheppard, who was charged with murdering his wife in 1954.

2.10 Horizon. Discoveries casting new light on the evolution of the brain suggesting possible solutions to questions that have long baffled scientists.

3.00 Those Fabulous Clowns. The history of the clown, from early performers like Joseph Grimaldi to later stars such as Charlie Chaplin.

3.40 Film: The Gypsy and the Gentleman. The late Melina Mercouri plays a passionate gypsy who has an affair with an impoverished nobleman. Melodrama, also starring Keith Michell (1958).

5.25 Late Again. Highlights from last week's The Late Show.

6.15 Scouting. Insight into the work of parliamentary committees.

6.45 News and Sport. Weather. 6.55 Crutcher: Best of Breed. Peter Purves, Jessica Holm and Mike Stockman meet the winners from all groups, including the terriers, hounds and gundogs.

7.50 The Great Awakenings. The second of three films on the Chinese economy investigates the increased number of low-making state industries being destroyed by a new generation of competitors.

8.40 Unplugged. An acoustic set by Elton John recorded in 1990.

9.25 Arena. The history of the Keshmiri and David Taylor help contestants compete for the star prize. Do the Right Thing. Terry Wogan hosts the proceedings as Fleet Street editors Andrew Neil and Eve Pollard join regular panelist Frank Skinner to tackle an ethical dilemma. Birds of a Feather. Sharon and Tracey help out when man-hungry neighbour Dorien suffers a mild crisis.

10.15 Between the Lines. Clark is caught in the crossfire when Customs and Excise and the river police clash over a drug smuggling investigation. Shown previously on BBC1.

11.05 Crime and Punishment. Award-winning documentary charting the tragic story of Gino, a young French girl whose traumatic experience began at the hands of her abusive father.

12.05 Film: Les Diaboliques. A tyrannical schoolmaster is murdered by his wife and mistress - but the body later disappears, and evidence of his presence continues to haunt them. Classic thriller, with Simone Signoret, Vera Clouzot and Paul Meurais (1957) (English subtitles).

2.10 Close.

SATURDAY

LWT

8.00 GMTV. 9.25 What's Up Doc? 11.00 The TV Chart Show. 12.30 pm Speakeasy.

1.00 ITN News. Weather. 1.05 London Today. Weather. 1.10 Movies, Games and Videos. 1.15 The House of Spooks and the video release of Dennis.

1.45 NBA Basketball. Alton Byrd introduces the game of the week. 2.45 Film: Oliver Twist. A runaway orphan is drawn into a life of crime in this adaptation of Dickens' famous novel. George C. Scott, Tim Curry and Richard Charles star (TVM).

4.40 ITN News and Results. Weather. 5.00 London Tonight and Sport. Weather. 6.10 Baywatch.

6.50 You Bet! Matthew Kelly invites wagers from Gary Mason, Jayne Irving, Carol Thatcher and David Hamilton. Charity challenges include a woman from Bedfordshire who claims she can identify the make, model number and engine capacity of motorcycles by listening to the sound of the engines.

7.00 Barrymore. Michael Barrymore meets a husband-and-wife harmonica duo, a 19-year-old child entertainer and a Rastafarian showjumper Oliver Steele.

8.00 Inspector Morse. A world-simmering crime thriller sees Morse receive an honorary degree, but the ceremony ends abruptly when she is wounded by a mysterious sniper. Cul-de-sac lower Michael Threlkeld sets out to investigate - and takes a more than professional interest in discovering the would-be assassin's identity. Sheila Gill guest stars.

10.00 ITN News. Weather. 10.10 London Tonight. 10.15 Film: RoboCop. Premiere. Paul Verhoeven's violent SF adventure about a dedicated police officer (Kurt Russell) who is brutally murdered by sadistic thugs and rebuilt as a prototype cyborg to combat the criminals overrunning Detroit. Nancy Allen, Ronny Cox, Gary Sinise and Miguel Ferrer also star (1987).

12.00 Comedy Club. 12.30 Tour of Duty. 1.25 The Round-the-World Yacht Race. ITN News Headlines. 1.30 Big E. 2.25 Get Stuffed. ITN News Headlines. 2.30 New Music. 3.30 Travel Trails. 4.00 American Gladiators. 4.55 BPM. Night Shift.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Tony Blair's Pro-Clarity. 11.00 The TV Chart Show. 12.30 pm Speakeasy.

1.00 Film: Raffles. David Niven plays the suave gentleman thief in this vintage comedy-thriller in which a burglar is recruited to solve a friend's reputation in a romantic complications. Co-starring Olivia de Havilland, Dudley Digges and Dame May Whitty. Part of the David Niven season (1935).

2.15 Racing from Uttoxeter. Introduced by Derek Thompson. Coverage of the 2.30 St. Moritz Handicap Chase, 3.00 Bet With the Tote Novice Chase Final (Hcp), 3.35 Tote Novice Chase Final (Hcp), 4.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 4.40 The 4.40 Ladies' Handicap Chase, 5.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 5.40 The 5.40 Ladies' Handicap Chase, 6.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 6.40 The 6.40 Ladies' Handicap Chase, 7.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 7.40 The 7.40 Ladies' Handicap Chase, 8.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 8.40 The 8.40 Ladies' Handicap Chase, 9.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 9.40 The 9.40 Ladies' Handicap Chase, 10.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 10.40 The 10.40 Ladies' Handicap Chase, 11.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 11.40 The 11.40 Ladies' Handicap Chase, 12.10 Tattersalls Mares Only Novices' Chase Final (Hcp), 12.40 The 12.40 Ladies' Handicap Chase, 1.10 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We all have skeletons in our closet. In the case of the people of France, there are 75,000 of them. That is the estimated number of French Jews rounded up and sent by their Government to be murdered in Nazi concentration camps. At least seven more French Jews met a different fate. They are the people for whose execution Pierre Touvier is now on trial at Versailles.

"Crimes against humanity" is on the charge sheet, and the 78-year-old former intelligence chief of the Milice, the Vichy regime's pro-Nazi paramilitary force, is the first Frenchman to be so charged. You might wonder, as I do, why Touvier is the only Frenchman against whom such a charge could be levelled.

You might also wonder why Touvier has had to wait 50 years for his trial. The answer is that he was sheltered throughout the intervening years by various outposts of the Roman Catholic Church in France - a skeleton in the closet, if ever there was one. But the people of France do not, for understandable reasons, like to dwell on such embarrassing memories. Instead they prefer to carry on preparing their celebrations for the 50th anniversary of D-Day in June, and in particular, snub the Germans by not inviting them to the party.

Last week the mayor of Vienne, who had broken ranks by inviting Helmut Kohl, the German chancellor, to their local celebration of the great Day, was ordered by Paris to withdraw the invitation. Having the Germans around would be an unfortunate reminder of just how ambiguous was the relationship between the French people and the Nazi invader.

The resulting spat in the Franco-German relationship fills us in England with feelings of deep satisfaction. If we were German we might call it *Schadenfreude*, joy at the discomfort of others. But as we are English, we call it Remembering the War. It was, after all, Our Finest Hour.

We have no skeletons in our closet, unless you are going to be fussy and dredge up the fire-bombing of Dresden. We, thanks principally to Hitler's decision to open a second front against the Soviet Union, never had to face outright German invasion. Doubtless, if we had, we would have fought them on the beaches. And I believe that, if the worst came, the British people would have fought the Nazi invader street by street. I cannot imagine that a British Government would have handed London over to the enemy, without a shot being fired, in the way the French did Paris.

But if we had been overrun by the Nazis, would we then have been ruled by an assiduously collaborationist regime, along Vichy lines? Would we, in other words, have had our own Touviers? It is interesting how quickly you can reduce a civilised London dinner party to shouting and walk-outs by suggesting that this is what would have happened in Britain.

Discussions - or rather, ferocious arguments about what would have happened to British Jews, usually disintegrate into competing hypotheses. But, there is no need to hypothesise.

Last year, under the 50-year rule, documents were released which showed how occupied Guernsey collaborated with the Nazi invader's solution to the Jewish problem. The papers charted British offi-

cials' collusion in identifying three Jewesses who were subsequently deported and perished in Auschwitz. Last week it was the turn of the Jersey archives to be released.

Most of the papers relating to the period of occupation had been mysteriously stolen. But those that remained paint a depressingly familiar pattern, with officials assisting their German governors with the identification of the Jewish population.

One document, from a British company, reports that: "As far as the Channel Islands are concerned, I can definitely state that no Jew, male or female, is employed by the company, nor had any Jew been so employed since the Jersey branch was opened."

Perhaps the company was simply trying to protect its Jewish employees. What would you have done?

■ Dominic Lawson is editor of *The Spectator*.

Deadly rattle of skeletons

Dominic Lawson ponders the ugly question of wartime collaboration

Back to save us

Michael Thompson-Noel



Dead Hollywood stars will return from the grave if developments in re-animation technology bear fruit. According to a recent news story: "Using raw data culled from old films and the latest digital computer animation, Hollywood scientists are perfecting (techniques) to create synthetic actors who look, sound and move just like the real thing."

Quite soon, celluloid legends such as Vivien Leigh and James Dean could be starring in new films, alongside living actors. "The era may be approaching when old actors neither fade away nor die," said the news story, "but star time and time again, long after their mortal remains have turned to dust. Instead of appearing in person at the Oscar ceremonies, they could send along computer images to weep and thank and celebrate. No one would know the difference."

One of the names by which the new technique is known is Live-Synchro. Live-Synchro featured in *Hawks & Handsaws* two years ago, in a column which also anticipated the debut of "animatronic actors - humanoids, robots - who will play any role, from buffoon to sex siren, at a millifraction of the [normal] fee."

Anticipated is a bit cheeky; all I was really doing was showing that I possessed a much-thumbed copy of *July 20, 2018: Life in the 21st Century*, by Arthur C. Clarke, the famous science fiction writer.

What no one yet knows is that these techniques, Live-Synchro and animatronics, work in reverse.

I discovered this on Wednesday when summoned to 10 Downing Street for a late-night interview

HAWKS & HANDSAWS

with John Major, the prime minister of Britain. I hurried there speedily. Soon I was enjoying, together with the prime minister, a splendid supper of bacon, eggs, sausages, tomatoes, mushrooms and baked beans.

An aide had explained that I am now the only journalist Major will see, so I started off politely, biding my time.

"Economy recovering nicely. John, give or take a sixpence?" "Indeed it is, Michael. I'm recovering nicely, given that my administration has worked jolly hard to achieve the conditions requisite to sustainable long-term growth free of the harrowing bugbear of rampant inflation."

"Trade rows under control?" "Trade rows under control." "Ditto Tory sex scandals?" "Ditto Tory sex scandals."

It was time to raise the tempo. "I am surprised, John," I said, "that you haven't gone screaming mad, or tried to harm yourself, out legal guarantees that they won't be used to kill innocent people."

"How do you handle that, John? How do you keep your sanity? It is almost as though - I appeared a reluctant sausage - 'you were programmed, somehow... as though you were an image from the middle of the next century sent to serve as a lightning conductor for all our troubles and pain.'"

"Later," said Major.

"Pardon?" "2082. It's called Reverse Live-Synchro, or RL-S. I am indeed a projection. In real life, I am a low-ranking official in the fisheries ministry of the government of Eurasia from 2082. I am Norwegian, as it happens. Married, two children. Rather good at golf. Thanks to RL-S, I have been projected backwards in time to act, as you put it, like a lightning conductor to head off the catastrophe facing Britain - invasion by Malaysia."

"That is scheduled to happen in four years' time. I am here to stop it. The downfall of Margaret Thatcher was a technological feat engineered by our scientists. I was sent as replacement. My supreme incompetence is a clever Eurasian smokescreen. I am so incompetent that the Malaysians will take pity on us and cancel the invasion. At least, that's the hope."

"I am flabbergasted," I said. "Why have you never told us that you are a synchrotron sent to save us?" "Because," beamed the image, "no one's ever asked."

The high priest of pure French

Private View/Christian Tyler

There is a sportswear shop in Calais called "Athlete's Foot". I was thinking of it last week in Paris on my way to the Académie française, that venerable custodian of the French language, when I passed a marine equipment shop called "Nauti Store".

As I crossed the Seine in the spring sunshine, pondering the Baladur government's announcement of a language bill with stiffer penalties to enforce the public use of French, I was nearly run over by a breakdown van. Fainted in large letters on its side were the words "Yellow Card".

The perpetual secretary of the Académie, its commanding officer in the war against linguistic corruption, is the writer and anglophile Maurice Druon.

"Je vais commencer alors par un statement," he said as he ushered me with a flourish of Gallic courtesies into his elegant cabinet room. "I'm a great admirer of the style of Gibbon and Churchill. Bon. Voilà comment je vous accueille."

Druon does not, God forbid, speak français. He is a former minister of

first volume of our dictionary we have 5,000 new words? In the former edition, of 1935, there were about 35,000 words. Our new edition (it has reached the word "enzyme") will have at least 50,000 words, probably more - that is, 15,000 accepted new ones.

He got up and walked about. "Do you play golf?" he said. I said "No". "When people propose *ciseaux* for 'birdie' or, I don't know, *obstacle de sable* for 'bunker' I raise my shoulders and I say 'Let the expression pass! *Foutez-moi la paix!*' Because golf terms are English and we have adopted them."

The academy had even accepted anglicisms such as "tennis" which derived from the French - as in tennis.

To recognise words for which there is no substitute is one thing, I persisted. To legislate for the control of language seems to me quite another, extraordinary thing.

"Sir, you have been informed by the French press, which is very badly informed." He gave his wheezy, smoker's laugh. "It's not a law on the French language, it's a law on the obligation of using French in various areas."

The French government is introducing a new law to protect the language. Maurice Druon, secretary of the Académie française, is an anglophile who says English, too, is being corrupted



culture, member of the French and European parliaments and a winner of the Prix Goncourt. He was with de Gaulle's Free French in London during the second world war.

No, he switches between virtuous ease between the two tongues, according to the mood of the moment. In his own language he is declamatory, rolling the words around his tongue with the relish of a wine-taster. In English he has the upper-class drawl of the clubman (he is a member of the Garrick and the Saville), and makes redundant apologies for the poverty of his syntax and pronunciation.

We sat in matching armchairs with aged leather seats. The first "immortals", the founder members of the academy set up by Cardinal Richelieu in 1635 as a supreme court to decide the rules of French, looked down from the walls.

"A cup of tea, perhaps?" said the perpetual secretary.

A butler arrived and set down a silver tray. I began by asking: What, really, is the threat? Isn't the academy's attempt to preserve the language culturally stifling?

Druon sighed. "I answer in another way. I much regret that you have not an académie anglaise, a state institution to watch over your language."

As for the academy's work, he continued: "Did that stop the Enlightenment, the *philosophes* of the 18th century? Did it stop the industrial age, the discoveries of the 19th century? Did that stop Pasteur? Did it stop Claude Bernard, or - (closer to us - the Curies or the Duc de Broglie?"

But aren't things different now? Perhaps French is becoming fossilised...

"Fossilised?" Druon stared with disbelief. "Fossilised? When in the

Yet if it suits a firm to use English internally and that facilitates business, why not?

"Why use a foreign language if the user is not an English speaker?" In some cases, he added, it could even be dangerous - if, for example, technical instruction manuals were not in French.

I agreed. But there was a time, I said, when the whole of Europe used Latin for certain purposes. Today we clearly need a *lingua franca* and...

"But exactly! You have the French language!" He was triumphant.

Isn't English the *lingua franca* now?

"Listen. There we are going to have a difference of opinion. For one thing, the English language is no longer what it was. What is spoken all over the world is not really English. It's American. It's not the English tongue, it's a dollar tongue."

But the Latin spoken all over Europe was dog Latin, not the Latin of Tacitus or Cicero.

"Certainly. That's why it has been replaced by the French!"

If this bastard English is useful, why should we not speak it where it's appropriate?

"Where is this notion of usefulness? It's useful in commerce, in advertising, useful in money. It is not useful for the mind."

The academy has about 40 members - usually septuagenarians - of whom Maurice Druon, of course, is one. (There are also two women now.) I stuck out my neck.

Why should the language of the majority, I asked, be determined by the sentiment of an old minority? "It's not an old minority. It's an old majority."

But why should they have this

power? Words are a means of exchange. That's a currency, and bad currency... *comment dire, chaise...* drives out, the good. We are trying to keep a good currency. That's why we accept a lot of new words if they are in common usage. Don't think we are the enemy of English..."

I read that people refuse to employ the gallicisms that have been created for them. Why not let the market decide what is most appropriate?

"If you let in the market, you let in the jungle."

Can you resist the market in this age?

"Bien sûr. Bien sûr. One can dissuade. *Monsieur*, we are there to give the sense of sin. Commit it by all means, but know that you are committing a sin."

Isn't that bad law, like the law against smoking in bars, which I hear is widely disregarded?

"Listen. I am smoker, but this is another matter. It goes much further. The language of a people is its

soul. If you love your country, you must love your language. It is the fundamental intellectual patrimony. It is what determines, to a large extent, your identity. And as perpetual secretary of the Académie Française, it is I who am in the vanguard."

But, of necessity, behind the rest of the country?

"Mais, Non!"

I compared the Académie Française with the Vatican, and Druon talked of the four great institutions of Europe before the first world

Oh lord," sighed the young minister as he scanned the headlines in the tabloids: "I suppose one of these days I will have to confess I lost my virginity to a married woman."

Yes, it has been another of those weeks. Another establishment sex scandal and another resignation.

The News of the World, a Sunday tabloid newspaper, started the moral wobble with its disclosures three months ago that a middle-ranking minister had fathered an illegitimate child. This week it claimed a bigger scalp - that of armed forces chief of staff and marshal of the Royal Air Force Sir Peter Harding.

In between there has been a spate of these so-called scandals. As media lights have been shone into dark corners of the private lives of the prominent, the results have frequently been farcical. One Tory MP was obliged to confess publicly he had shared a French hotel bed with a male friend - for no other reason

Truth of the Matter Fleet Street's back to basics

Good old British hypocrisy over sex has returned, says Philip Stephens

than to save a few francs.

But there has also been a more unsettling dimension. The revelations have not been confined to what was once seen as the grubbier end of the tabloid press. The so-called quality papers and the electronic media have picked up the same stories with gusto. Prudence and the public interest have often been treated as inseparable.

For those of you who have spent the week on a saner planet, Sir Peter's misdeed was straightforward. A married man, he fell for an excitingly-dressed woman by the name of Miss Bienvenida Perez-Blanco.

She now calls herself Lady Buck, a title bestowed through her brief marriage to the former Tory MP Sir Anthony Buck. Not much is worth saying about Lady Buck save that she claims to be of Spanish extraction, is in her middle 30s, dresses as if she is 20 years younger and has a penchant for influential men 30 years older.

But Sir Peter fell for her. She took her story and his intimate love letters to the Sunday newspaper, which added a "security" dimension to justify the invasion into his private life. She pocketed the money. He resigned.

That, you might say, should be

the end of it. But it will not be. Newspapers, battered by recession and a secular decline in readership, will not let this one go.

Sex sells newspapers. Sex in high places sells even more. When there is no alleged security angle, John Major's ill-fated back-to-basics initiative provides sufficient cover.

Ministers insist children in the classroom are taught the difference between right and wrong. So the media reserves a right to highlight occasions when the politicians are not so discerning.

But there has been another big change. Previously, the broadsheet press would have ignored most of

the recent scandals. The Daily Telegraph would have tucked the odd piece on page three alongside reports of the more lurid cases before the courts. The Times would have remained aloof. The Guardian would have slipped in the odd detail through an account of what the tabloids were up to. Now the broadsheets vie with the rest.

The Telegraph, for example, began this week with colour photographs of Sir Peter and his paramour on the front page. An editorial condemning the revelations as "gutter journalism at its rankiest" looked misplaced.

Nor is television and radio news

immune. Where once the bulletins would report such incidents only if and when someone resigned, they now take their lead from the tabloids. Prophecies of resignations and assertions of public interest become self-fulfilling.

But something else is going on. This is more than a host of mid-winter madness fuelled by shrewd commercial judgment. Politicians and generals have been having affairs since time immemorial. When an MP died suddenly a few years ago in the arms of his mistress not a word of the circumstances appeared in print.

The opinion polls tell us that the moral puritanism of "back to basics" has caught a popular mood. The marketing men are equally certain that the public appetite for salacious stories, and contempt for the establishment, has never been greater.

The two are reconciled only with one rather sad explanation. The British penchant for hypocrisy has returned with a vengeance.